

IN RE: KENTUCKY RIVER AUTHORITY

MEETING NO. 126

February 15, 2006
1:00 p.m.
Kentucky Higher Education Assistance Authority
100 Airport Road
Frankfort, Kentucky 40601

APPEARANCES

Mr. Bob Ware
ACTING CHAIRMAN

Mr. William Grier
Mr. William Welty
Mr. John Martin
Mr. L. C. Reese
Mr. Rex Morgan
Mr. R. C. Day
Mr. Randall Christopher
Mr. Daryl Newby
Mr. Warner Caines
MEMBERS OF THE KENTUCKY
RIVER AUTHORITY

Mr. Paul Gannoe
Proxy for Secretary Robbie Rudolph
FINANCE CABINET

Ms. Susan Bush
Proxy for Secretary LaJuana Wilcher
ENVIRONMENTAL AND PROTECTION CABINET

Also Present:

Mr. Stephen Reeder
Ms. Sue Ann Elliston
Mr. Don Morse
Mr. David Hamilton
Mr. Earl Gulley
Ms. Kayla Elliston

CAPITAL CITY COURT REPORTING
MELINDA L. SPARKS, COURT REPORTER
900 CHESTNUT DRIVE
FRANKFORT, KENTUCKY 40601
(502) 223-1118

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**MOTION MADE TO NOMINATE BOB WARE FOR
CHAIRMAN IN 2006. MOTION ALSO MADE
THAT NOMINATIONS CEASE.....9, LINE 2**

MR. WELTY: Steve, I put Bob Ware's name as Chair.
MR. MARTIN: Second.
MR. DAY: Second.
MR. REEDER: Motion made by Mr. Welty and seconded, I
believe, first by the Mayor.
MR. WELTY: Move nominations cease.
MR. REEDER: Got a motion that nominations cease.
MR. GRIER: Second.
MR. REEDER: Got a second. Who seconded that? Bill? Okay.
Bob Ware's name has been put before you.
Motion has been made and seconded. I'll
concur that the motions on the Chairman cease.
All in favor. All opposed. Mr. Ware is the
new Chairman for 2006.

**MOTION MADE TO NOMINATE BILL WELTY
AND RANDALL CHRISTOPHER FOR VICE
CHAIRMAN. MOTION MADE TO CEASE
NOMINATIONS. MR. WELTY REMOVED HIS
NAME FROM NOMINATIONS.....9, LINE 22**

MR. MARTIN: Mr. Welty. Motion for Mr. Welty.
MR. REEDER: Motion for Mr. Welty as Vice-Chair.
MR. GRIER: I'll second.
MR. REEDER: Second by Mr. Grier.
MR. REESE: I'd like to make a motion to nominate Mr.
Christopher.
MR. REEDER: Motion made by Judge Reese to nominate Mr.
Christopher, Randall Christopher. Do I hear a
second? Do I have a second?
MR. GRIER: Second.
MR. REEDER: Need a second to get this on the floor.
MR. REESE: Bill seconded it.
MR. REEDER: You seconded? I didn't hear you.
MR. GRIER: Yes.
MR. REEDER: Motion made and seconded to put Mr.
Christopher's name on the floor. Okay. Any
further nominations?

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MR. DAY: Move the nominations cease.
MR. REEDER: Motion by Mr. Day nominations cease.
MR. GANNONE: Second.
MR. REEDER: Seconded by Paul Gannone. We'll pass out the ballots. We'll recess and pass out the ballots.
MR. WELTY: Mr. Chairman, so we can move right along, I'll just pull my name from that, if it's okay.
MR. REEDER: He can withdraw.
MR. WELTY: Okay.
MR. REEDER: Okay?
MR. WELTY: Not a problem.
MR. REEDER: Mr. Welty has withdrawn. We don't have to have an election. So, Mr. Christopher is the Vice-Chairman.

**MOTION MADE TO NOMINATE BILL WELTY
AS TREASURER. MOTION MADE THAT
NOMINATIONS CEASE.....11, LINE 10**

MR. WARE: I'd like to nominate Bill Welty.
MR. MARTIN: I'll make a motion for Mr. Welty.
MR. REEDER: Motion made by the Mayor.
MR. CHRISTOPHER: Second.
MR. REEDER: Second by Mr. Christopher. MR. MARTIN:
We have people who are trained in this. I mean, you all have done this and we're new to the Board.
MR. REEDER: Do we have any further nominations for Treasurer?
MR. REESE: Motion that nominations cease.
MR. REEDER: Motion by Judge Reese nominations cease.
MS. BUSH: Second.
MR. REEDER: Seconded by Susan Bush. Mr. Welty is the new Treasurer.

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**MOTION MADE TO NOMINATE BILL GRIER
AS SECRETARY. MOTION MADE THAT
NOMINATIONS CEASE.....12, LINE 5**

MR. WELTY: I nominate Bill Grier.
MR. REESE: Second.
MR. REEDER: Motion made by Mr. Welty, seconded by Judge
Reese to put Bill Grier's name in contention.

MR. MARTIN: Make a motion we cease nominations.
MR. REEDER: Motion made by the Mayor to cease nominations.
MR. WARE: Second.
MR. REEDER: Second by Bob Ware. Bill, you're the new
Secretary.

MOTION TO APPROVE MINUTES.....13, LINE 14

MR. WELTY: So moved.
CHAIRMAN WARE: Got a motion to approve.
MR. GANNONE: Second.
MR. WELTY: Second. All in favor. The minutes are approved.

MOTION TO APPROVE FINANCIAL REPORT.....16, LINE 7

MR. WELTY: So moved.
CHAIRMAN WARE: ---approval of the report? We have a motion
to approve the report.
MS. BUSH: Second.
CHAIRMAN WARE: Second. All in favor. So moved.

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DUE TO CRITICAL NATURE OF DAM 9, THE KRA
BOARD STRONGLY URGES A MOTION FOR
A RESOLUTION TO EXPRESS GENERAL
SUPPORT TO RESTORE THE FUNDING KRA
REQUESTED FOR DAM 9 WHICH WOULD INCLUDE
THE SALE OF BONDS TO SUPPORT A FEE INCREASE,
TIER II FEES, BASED ON WATER USER FEES.....32, LINE 19

MR. GRIER: I would so move, Mr. Chairman. You can word it to fix the exact need. As a resident of Lexington, I feel--and I know what the dam is like. I totally agree with everything you said, Mr. Reeder. From my own personal knowledge, every time I've been out there, it's a very critical area -- no question about that. And it could go suddenly or it could take it as long as an hour.

CHAIRMAN WARE: Okay. We have a motion then on the floor to, as a Board, to support any efforts to restore the funding based on the increase of Tier II fees.

MR. WELTY: Second.

CHAIRMAN WARE: And we had a second to that motion.

MR. CAINES: Second.

CHAIRMAN WARE: Any discussion?

MR. WELTY: That fee based on the paper that was handed out?

MR. REEDER: Yes.

MR. MORSE: This is some information we provided the Legislative Research Commission budget staff. They wanted to know exactly who would be impacted by the rate increase and how much. So, this gives you an idea of that. And it's an estimate until we actually see what our interest rates are and we won't know how much the rate will have to go up exactly.

One thing I did want to say. In talking with some of the fee payers in this list, we would want to discourage some of the tendency to look at these projects as does it benefit me in particular. That's kind of an attitude I

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pick up talking to some people. Well, if I'm Lexington, I don't mind paying to reconstruct Dam 9; but if I'm Irvine, for example, I may not be so in favor of that.

I think we need to foster the idea that it's a complete water supply system and eventually every one of these things is going to be replaced. We're all in the project together and the project in total is the whole system.

MR. REEDER: Excellent point. And not only that, that argument frequently comes up because people tend to look at them as 14 lakes rather than a system. But the bare truth of it is with regard to Dam No. 9 is that Kentucky-American and Lexington is paying for 45% of everything we do everywhere else. The work we did at Dam 3 last year, if we do something at 14, 45% of it is paid for by Lexington. So, that's another way to spin that.

CHAIRMAN WARE: Well, you can't discount the situations like the Bluegrass Water Supply Commission of wheeling treated water among users in the basin, too. So, it's not just tied to the flow of the river necessarily.

MR. REEDER: Plus, you've got another dynamic that we found out last year. We had a similar situation at 9 that developed at Dam No. 3, a very weak dam, and we had to do an emergency project there.

One of the things that engineers told us real quick is that if you were to lose Dam No. 3, they said, you take all the stabilizing pressure off of Dam 4, and if there's any weakness in there that you have not detected, you could lose 4 right quick if the pool was drained. Well, 4 is the capital city. That's Mr. Caines' operation 100%.

If you carry that same logic and you look at Dam No. 9, you would lose 10. Ten is as bad as it is, every bit, and that's recognized by the Corps of Engineers. And then you've got 11 which is

Richmond and so on. Even if it

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didn't collapse it at that time, it could weaken it severely because some of those things are not anchored well. So, that's what you're looking at.

MR. GRIER: Mr. Chairman, if this motion passes and is reworded, would the office send each one of us a final wording because it's so important, just in an email or something, if we could see how it's finally worded.

MR. REEDER: I think the way it would be worded, just paraphrasing it, would be that it would be an expressed general support for restoring the funding as requested in the budget.

MR. WELTY: Steve, do they allow you to ask to meet before them?

MR. REEDER: Yes, they're likely to. They're very likely to call me, I understand. It'll be assigned to a subcommittee. And during the month of February, historically the Appropriations and Revenue Committee is really developing the budget in the House and it's divided into subcommittees.

We fall under General Government, I believe, Don, and that committee addresses such questions as ours and such issues as ours and all of our agency requests. In the past, they've all been pretty normal. We didn't have to respond to very much. But this time, they're going to look at it probably a lot more closely. We're no doubt going to be called in the next week or so.

CHAIRMAN WARE: Would it be appropriate for each Board member to communicate with their House and Senate representatives---

MR. REEDER: Oh, yes.

CHAIRMAN WARE: ---on this?

MR. REEDER: If they agree with it, I think if they can render any support that they might for this project.

MR. WELTY: It would be good that we got the complete list of all those people that serve on that committee and all, the date that it happens, if we can,

it behooves us to go in with you showing our support also.

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MR. REEDER: We can provide that. We can provide a list of the subcommittee. If it's the General Government Subcommittee we're assigned to, Bill, it'll be Royce Adams chairing, one of your neighbors.

MR. REESE: Mr. Chairman, I'd like to have some wording on Mr. Grier's motion before we vote or whatever. Just give us the wording so that we know what we're voting on.

CHAIRMAN WARE: Yes. I've given my version of it and Steve gave, I think, a similar version of it.

MR. REEDER: Well, let's write one down so we'll have it very specific. I think it would be a resolution to express general support to restore the funding we requested for Dam 9 which would include the sale of bonds which will be supported by a fee increase---

CHAIRMAN WARE: Specifically Tier II fees?

MR. REEDER: Tier II fees based on water user fees.

MR. GRIER: Could that be preceded by the phrase because of the critical nature of Dam No. 9, this Board strongly urges that -- words that try to project the urgency of this---

MR. REEDER: Right.

MR. GRIER: ---because it is very urgent. It's very urgent.

MR. REEDER: Like I said, we're really not asking for anything. We're just asking for permission to raise our own fees. That's what you're asking for.

MR. REESE: Yes. I'm sure most of you are aware that Mr. Grier here is an architect and he is familiar with these things and I would strongly urge the Board to agree with his motion here.

CHAIRMAN WARE: We have a motion and a second. If there's no further discussion, we'll take a vote on this. All in favor aye. Any opposition? Motion passes.

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MOTION TO ADJOURN.....102, LINE 3

MR. WELTY: Move we adjourn.

CHAIRMAN WARE: I have a motion.

MS. BUSH: And I'll second it.

CHAIRMAN WARE: We'll see some of you before March 15th in
subcommittee meetings.

1 CHAIRMAN WARE: We'll call this meeting
2 to order. Before we get started, we have a couple of
3 individuals in the audience that we would like to recognize,
4 Kevin Atkins with Mitch McConnell's office and Bryan Legg
5 with Congressman Davis' office.

6 The first item on the agenda will be
7 election of officers. So, I'm going to recuse myself at this
8 point and have Steve Reeder conduct the meeting.

9 MR. REEDER: We have four officers to
10 elect and let me tell you sort of briefly a little
11 description of each one because most of our board is new.
12 It's two-thirds new anyway.

13 The first office, of course, is
14 Chairman or Chair and we have an Interim Chairman who is Bob
15 Ware. The Chair has numerous responsibilities.

16 It's the only office that we have that
17 is statutorily mandated. All the other offices we have are
18 the product of by-laws, but the Chair is the only statutory
19 office which the law states that the Authority members shall
20 elect on an annual basis. The Chair is the parliamentary
21 head of the Authority.

22 The Chair is also sort of the policy
23 leader of the Authority. And you have to remember the board

1 itself, since you all are a quasi-independent board, the
2 board itself makes policy. The Legislature doesn't make it.

3 The administration does not make it, per se. The
4 administration's voice in this board is through the
5 appointees that it makes and the Chairman's job, of course,
6 is to coordinate these people and coordinate these activities
7 and these policy statements.

8 The Chair appoints all the chairmen of
9 the subcommittees. They appoint the membership of the
10 subcommittees; and all the subcommittees that we have, the
11 membership of these subcommittees runs concurrent with the
12 term of each Chairman or Chair. We have had a female Chair.

13 So, we've had a situation of that kind.

14 We have had Chairs that changed or
15 merged some committees. That can be done, but the Chair has
16 responsibilities in that regard.

17 The Chair also sits as an ex officio
18 voting member on all subcommittees. The Chair has certain
19 document-signing responsibilities, not extensive. It can be.

20 The bylaws state the Chair will sign bonds if we ever sell
21 any bonds, certain formalities.

22 There are certain things that the
23 Finance Cabinet requires a co-signature on, my signature as

1 Executive Director and then the Chair as a co-signor of the
2 thing. So, there are some signatory things to do.

3 What I'm telling you is whoever gets
4 elected to this job has got a little work to do. The term
5 runs for a year. The term of all these offices is for the
6 balance of 2006.

7 The Vice-Chair is self-explanatory.
8 That's simply a backup to the Chair when the Chair is not
9 here and cannot preside over the meetings or do any other
10 functions. If that person is out of state or out of the
11 country, unavailable, the Vice-Chair will sign documents or
12 attend meetings or whatever on behalf of the Chair.

13 The Vice-Chair can also, according to
14 the by-laws, be assigned any other duties that the Chair
15 might choose to give that person to do, special projects or
16 whatever.

17 The third office is the Treasurer. The
18 Treasurer is an office that is defined as sort of the budget
19 oversight person. We've had some very active Chairs. We've
20 had some that have not been very active. We really, as a
21 staff, prefer the Treasurer to be as active as they want to
22 be because the budget is the heart of what we do as anything
23 else that goes on in government or any place else.

1 Bill Welty, in fact, outside of Bob
2 Ware, he's the only sitting officer we have and he's been
3 Treasurer for a good while. The Treasurer also chairs the
4 Finance and Legal Affairs Committee ex officio.

5 The other office is the Secretary's
6 office. Bob Ware is the permanent head of that office. He's
7 the permanent occupant of that office. He is operating as
8 interim Chairman based upon the Robert's Rules of Order
9 prescription. Robert's Rules of Order is stated in our by-
10 laws to control where we don't have any specific by-laws to
11 cover. The Secretary of the organization becomes Chairman
12 when there is no Chairman or no Vice-Chairman. And, so,
13 that's what the Secretary does.

14 We didn't have a Secretary before I
15 came here. I urged one of the former Chairs to create the
16 office because there are certain things that are required in
17 the business world should we ever get involved in selling
18 bonds or doing anything of that nature. We have to have
19 somebody who is recognized in the business world who can
20 certify documents. And in the corporate world, when you go
21 back to Robert's Rules of Order or any other basic
22 parliamentary guide for any kind of a private board of
23 directors, the Secretary is a key person.

1 Now, we do not have any need for a
2 recording secretary. In the classic sense, the Secretary did
3 all these things I'm telling you about as far as certifying
4 records but also manually took the records. When I came
5 here, the staff basically took the records or took a version
6 of them; and since we were handling public money, it was my
7 idea to hire a court reporter. Now, I've taken some
8 criticism in the past from some members saying, well, you've
9 spent \$300 to \$500 a meeting on these minutes.

10 Well, let me tell you. These minutes
11 are recorded by a court reporter. That court reporter is a
12 notary public and an officer of the Court. When the court
13 reporter signs something, it is an official document you can
14 take anywhere. If we weren't handling public money, then,
15 maybe we would let one of you get elected and take notes.
16 But the best course of action as I see it handling public
17 funds is to create an audit trail and make sure there's a
18 certification of those records.

19 The Secretary does not have the
20 certification responsibilities generally. However, if we
21 ever are involved in a situation where a member of the
22 Authority has to certify something, then, that's another
23 position that the Secretary would fulfill.

1 And then, of course, it was a godsend
2 really which we couldn't foresee when we suddenly found
3 ourselves with no Chairman and no Vice-Chairman and we would
4 have had to have had an election at that point in order to
5 have proceeded on, but Robert's Rules of Order provided an
6 escape hatch in that it said the Secretary of the Board would
7 serve as Secretary. So that's where we are today.

8 So, the procedure here for electing
9 somebody is this. And I think I've told you before, but I'll
10 tell you again for purposes of this meeting. In order for
11 anyone for any office -- we'll take these offices
12 individually -- we need one person to nominate somebody to
13 get their name into consideration and we need a second to
14 have that person's name on the ballot. Of course, if there's
15 no other nominations, then, we'll just have a voice vote and
16 that will be the end of it. If we have two or more that get
17 their name on the floor, then, we'll have to have an
18 election.

19 Now, the way we're going to do that is
20 that Sue Ann and Kayla are going to create a ballot and it
21 will be a secret ballot and you can vote for whoever you want
22 to. They'll pass them out and then I'll read the results.
23 You do not sign that. It's totally secret. You put it in an

1 envelope. We'll count it here, or I'll count it and announce
2 the winner. Then, these votes will go into our permanent
3 files at the office. There's no violation of any open
4 records or open meetings' policies here because we're going
5 to retain the result of those votes.

6 And it's been our experience in the
7 past--this was not done on some occasions when we had these
8 things and it created a lot of acrimony and division among
9 the Board and we simply don't have time for that. We've got
10 too much to do and we don't need to be having factions within
11 the Board.

12 So, I'm going to begin the process by
13 asking for nominations for we'll start with the Chair.

14 MR. WELTY: Steve, I put Bob Ware's
15 name as Chair.

16 MR. MARTIN: Second.

17 MR. DAY: Second.

18 MR. REEDER: Motion made by Mr. Welty
19 and seconded, I believe, first by the Mayor.

20 MR. WELTY: Move nominations cease.

21 MR. REEDER: Got a motion that
22 nominations cease.

23 MR. GRIER: Second.

1 MR. REEDER: Got a second. Who
2 seconded that? Bill? Okay. Bob Ware's name has been put
3 before you. Motion has been made and seconded. I'll concur
4 that the motions on the Chairman cease. All in favor. All
5 opposed. Mr. Ware is the new Chairman for 2006.

6 CHAIRMAN WARE: Thank you very much, I
7 think.

8 MR. WELTY: Same pay.

9 MR. REEDER: Same wages. Vice-Chair.
10 Do I hear a motion for a Vice-Chair?

11 MR. MARTIN: Mr. Welty. Motion for Mr.
12 Welty.

13 MR. REEDER: Motion for Mr. Welty as
14 Vice-Chair.

15 MR. GRIER: I'll second.

16 MR. REEDER: Second by Mr. Grier.

17 MR. REESE: I'd like to make a motion
18 to nominate Mr. Christopher.

19 MR. REEDER: Motion made by Judge Reese
20 to nominate Mr. Christopher, Randall Christopher. Do I hear
21 a second? Do I have a second?

22 MR. GRIER: Second.

23 MR. REEDER: Need a second to get this

1 on the floor.

2 MR. REESE: Bill seconded it.

3 MR. REEDER: You seconded? I didn't

4 hear you.

5 MR. GRIER: Yes.

6 MR. REEDER: Motion made and seconded

7 to put Mr. Christopher's name on the floor. Okay. Any

8 further nominations?

9 MR. DAY: Move the nominations cease.

10 MR. REEDER: Motion by Mr. Day

11 nominations cease.

12 MR. GANNONE: Second.

13 MR. REEDER: Seconded by Paul Gannone.

14 We'll pass out the ballots. We'll recess and pass out the

15 ballots.

16 MR. WELTY: Mr. Chairman, so we can

17 move right along, I'll just pull my name from that, if it's

18 okay.

19 MR. REEDER: He can withdraw.

20 MR. WELTY: Okay.

21 MR. REEDER: Okay?

22 MR. WELTY: Not a problem.

23 MR. REEDER: Mr. Welty has withdrawn.

1 We don't have to have an election. So, Mr. Christopher is
2 the Vice-Chairman. Treasurer.

3 MR. WARE: I'd like to nominate Bill
4 Welty.

5 MR. MARTIN: I'll make a motion for Mr.
6 Welty.

7 MR. REEDER: Motion made by the Mayor.

8 MR. CHRISTOPHER: Second.

9 MR. REEDER: Second by Mr. Christopher.

10 MR. MARTIN: We have people who are
11 trained in this. I mean, you all have done this and we're
12 new to the Board.

13 MR. REEDER: Do we have any further
14 nominations for Treasurer?

15 MR. REESE: Motion that nominations
16 cease.

17 MR. REEDER: Motion by Judge Reese
18 nominations cease.

19 MS. BUSH: Second.

20 MR. REEDER: Seconded by Susan Bush.

21 Mr. Welty is the new Treasurer. Secretary. Board Secretary
22 to fill Mr. Ware's old job.

23 MR. WELTY: I nominate Bill Grier.

1 MR. REESE: Second.

2 MR. REEDER: Motion made by Mr. Welty,
3 seconded by Judge Reese to put Bill Grier's name in
4 contention.

5 MR. MARTIN: Make a motion we cease
6 nominations.

7 MR. REEDER: Motion made by the Mayor
8 to cease nominations.

9 MR. WARE: Second.

10 MR. REEDER: Second by Bob Ware. Bill,
11 you're the new Secretary. Okay. Thank you.

12 One thing, if I could. If we've got
13 time this afternoon, I would like very briefly to meet with
14 the new officers right after the meeting. Just a brief
15 meeting. We've got a couple of issues we need to talk about,
16 procedural issues. The new officers, about five minutes
17 after the meeting.

18 CHAIRMAN WARE: Probably all the
19 offices ought to be aware that we've got a Basin Leadership
20 Committee that they belong to we could be involved with.

21 MR. REEDER: We do have a Basin
22 Leadership Committee that all the elected officers serve on
23 ex officio and that just takes up a group of issues, and the

1 Chair will have to name a fifth member to it, too, because I
2 believe the fifth member that we currently have didn't get
3 reappointed. That was Judge Cassity.

4 CHAIRMAN WARE: There's been a
5 suggestion made that we probably ought to call roll under the
6 circumstances.

7 (ROLL CALL)

8 MS. ELLISTON: We do have a quorum.

9 CHAIRMAN WARE: Next item will be the
10 approval of last meeting's minutes.

11 MR. WELTY: So moved.

12 CHAIRMAN WARE: Got a motion to
13 approve.

14 MR. GANNONE: Second.

15 MR. WELTY: Second. All in favor. The
16 minutes are approved.

17 Next item on the agenda will be the
18 financial report by Don Morse.

19 MR. MORSE: December was a fairly quiet
20 month as it usually is with the holidays. If you look at
21 Page 1, you'll see our fee receipts during that period --
22 only \$3,500 of Tier I money and a couple hundred dollars of
23 Tier II.

1 The bottom of the page reflects the
2 amount of outstanding fees receivable which remain quite high
3 for this particular month at \$191,000. That was primarily
4 due to a little mix-up in the New Jersey offices with
5 Kentucky-American in that they lost our bill for the prior
6 quarter and we're delayed in paying it. They are current at
7 the present time and we have brought that receivable amount
8 way down, but it does show a little bit of how much
9 dependence we have on a singular customer like that and how
10 much it can impact our finances.

11 If you'll look at the second and third
12 pages that relate to those particular fees, you'll notice
13 that we are below what the budgeted levels were for fees at
14 this time of the year. We should be at the 50% level and we
15 are below that. However, after collection of the payment by
16 Kentucky-American, it'll bring us back to normal levels.

17 Investment income remains kind of
18 sporadic. We're earning about two and a half percent per
19 annum on our funds and not a real outstanding performance.
20 We are well below what we budgeted for that and had intended
21 to use some of these funds so there wouldn't be as large a
22 balance for investment at this time of the year. So, a
23 little disappointed in investment performance.

1 Expenditures for general operations on
2 Page 2 are pretty much normal, nothing out of the ordinary
3 there, and we ended the month with \$258,000 in cash on Tier I
4 monies and \$4.3 million in Tier II funds.

5 The fourth page on lock operations.
6 There is a little correction to make. We inverted the
7 numbers there on the salary amounts and the general operating
8 expenses. Those should be reversed in order. We made a
9 little mistake on that. Again, we're below what we budgeted
10 for this time of the year, so, we're in pretty good shape on
11 our lock operations.

12 Capital projects. We did start making
13 some significant payments on the cut-off walls that we're
14 installing in Locks 5, 6 and 7. Paid the construction
15 contractor \$221,000 in December and the engineer an
16 additional \$12,000 for construction oversight. We're still
17 on target for that. We did have a small change order on
18 engineering services because of some design changes that had
19 to be done and that should reflect in the next month's
20 statement.

21 On the water supply project, the water
22 storage project, the only activity there was investment
23 income and design still continues on on that. I think we're

1 holding probably around \$90,000 to \$100,000 in invoices
2 outstanding that are under review for different reasons for
3 engineering services on that project. So, those should
4 appear in next month's statements.

5 No activity on our maintenance fund,
6 and the last page shows you the individual contractor
7 activity.

8 CHAIRMAN WARE: Any questions for Don?
9 Motion on---

10 MR. WELTY: So moved.

11 CHAIRMAN WARE: ---approval of the
12 report? We have a motion to approve the report.

13 MS. BUSH: Second.

14 CHAIRMAN WARE: Second. All in favor.
15 So moved.

16 The next item will be a report on the
17 upcoming bi-annual budget by Don Morse and Steve Reeder.

18 MR. MORSE: I think everyone got this
19 handout where I tried to break down what the Governor's
20 recommendations on our budget resulted in.

21 On lock operations, of course, that's
22 our General Fund-supported program, so, that's the one that
23 is going to be looked at most closely in any kind of budget

1 review. And if there's any funds to recapture for other
2 purposes, that's where it's going to come from.

3 We were cut \$60,000. This was based on
4 -- that's \$60,000 in the current year -- and that's based on
5 the way the Budget Office put together the cost savings for
6 funding in the first year of the upcoming biennium.

7 Basically, what they did is say if you
8 lapsed money last year, then, you can get by on the same
9 level of funding in the current year and we're going to cut
10 you by essentially what you lapsed back to us in the previous
11 year. That doesn't take into account any changes in activity
12 or program levels.

13 In our case, what it does is cut out
14 our ability to do any of the dredging activities that we
15 often have to do in the springtime to get the locks ready to
16 open. That's normally in a range of about \$50,000 that we
17 budget; and with this kind of cut, we won't be able to do
18 that this spring if it holds. So that's the impact of it.

19 They've actually spread the cut among
20 the different categories that I've outlined here. They've
21 cut personnel, operations and capital equipment funding.
22 Capital equipment funding they left in at the level of the
23 amount of agency funding that we had proposed but we didn't

1 propose using agency funding for capital equipment. So,
2 we're going to have to shuffle some monies around quite a bit
3 if all this holds up to the budget process.

4 In the upcoming biennium after cutting
5 us the 60, they restore back around \$41,000 of the cut, but
6 they allocate most of it back to capital equipment because
7 they cut it so much in the current year. So, we end up with
8 only about \$11,000 of operating money to work with as a
9 restored amount in '07; and, again, if that's the level we're
10 at, we won't be able to dredge again.

11 In '08, we get a little bit of extra
12 funding. We're still in about the same position. So, over
13 the last five years, we've probably taken about a 25% cut in
14 our total budget for lock operations and it's going to be
15 hard to continue that on at these levels.

16 We do get a little bit of funding
17 besides what was recommended. The way they've handled the
18 salary increments this year, rather than budgeting those
19 amounts to the individual agencies, they're budgeting all of
20 it to the Personnel Cabinet who will later on, after
21 determining what the real salary increments are, reallocate
22 that money. So, it will be sort of a supplemental allotment
23 down the road to back up the increments we have to do. So,

1 that's a little bit of a plus or a little bit of a kickback
2 we can rely on to help us through the next two years but
3 doesn't help a lot in the impact that we just outlined. So,
4 that's what they did for the lock operations.

5 Our general operating account that's
6 supported with fees, there weren't any cuts in the current
7 year. Everything was left alone. So, we're still able to do
8 everything we were previously authorized to do, however, next
9 year we get cut about \$80,000 of operating expenses.

10 The way these types of program accounts
11 are budgeted, they're not budgeted by individual categories,
12 salaries, operations, equipment, those types of things. It's
13 all one lump sum. So, it's up to the agency to decide where
14 they want to allocate those cuts; and we've got some
15 latitude, but that's something we'll have to discuss down the
16 line when we see the final outcome of the budget process.

17 We are cut that year; and in the
18 following year, we remain at just about the same level. The
19 only thing that's added back is the additional cost of
20 benefits, the extra cost of health insurance and retirement
21 costs.

22 And, in this case, we've told you we
23 were going to get a little bit of a kickback from the

1 Personnel Cabinet for our lock operations. However, with
2 agency funds, there won't be anything coming back. So, I
3 don't know where we absorb the salary increments. That will
4 have to come out of some other category down the road and
5 something we'll discuss when the time comes.

6 We had asked for two expansion items in
7 the budget, one, an additional personnel position to seek
8 some federal grant funding for some of these projects -- that
9 was denied -- and we also sought debt service as an expansion
10 item on bonds to finance construction at No. 9. That was
11 denied as well, and we'll talk about that a little more on
12 the capital projects.

13 On capital projects, we asked for three
14 things. We asked for a maintenance pool to handle emergency
15 situations like we had at Dam 3 a couple of years ago. That
16 was funded at a half a million dollars per year without any
17 question.

18 We requested \$700,000 of General Fund
19 dollars to supplement \$300,000 of our agency receipts to
20 repair the lock at No. 3 and get a continuous lock series for
21 operation back in place. What the recommendation was was to
22 provide a half a million dollars of outside funding, although
23 it doesn't come directly from the General Fund -- it comes

1 from another source -- and then we're required to put up a
2 half a million dollars of our agency fees to make that
3 project go. So, we up the ante on our side by \$200,000, but
4 we did get the project approved. So that's the outcome
5 there.

6 On the Dam 9 reconstruction, what we've
7 done is we've combined the activities at Dams 9 and 10 into
8 one project for capital budgeting and called it our Water
9 Storage Enhancement Project. We've been working along those
10 lines for the last several years. So, both projects are
11 funded through the same authorization.

12 On Dam 10, the only thing that we had
13 planned was our cost share with the Corps of Engineers for
14 the next two years at a plan level of a quarter of a million
15 dollars a year on our cost to fund a million-dollar
16 appropriation of federal funds to continue the design work
17 that's ongoing there, and we had no anticipation of getting
18 into construction at that location in the next two years.

19 On Dam 9, we've been working on design
20 now for, what, three years, three-plus years, and we're
21 pretty much at the point of finishing final design on that
22 project. It should be done actually in the next three to
23 four months, and we had anticipated there wouldn't be any

1 problem with funding this project. So, we were planning to
2 go to construction bid in early June.

3 With the project being denied--what we
4 were approved--well, back up a minute. The project in total
5 at No. 9 was \$17-1/2 million for cost beyond what we've
6 funded so far for design expense, and we were going to fund
7 \$3,570,000 of that from our own cash after paying for the
8 renovations at Lock 3 and the maintenance pool funding, and
9 the rest of it we intended to finance with revenue bonds at
10 the level of \$13,930,000, round numbers \$14 million.

11 We received an approval or a request to
12 use our cash for the project but we didn't receive any
13 approval for the bonds, rationale being that the policy was
14 that anything that required a fee increase would not be
15 approved in this budget and we would have to increase our
16 fees, our Tier II fees on the main stem river users in order
17 to pay debt service on the bonds.

18 We're only producing less than \$450,000
19 a year in that fee income and the debt service on these bonds
20 was going to be \$1,297,000, \$1.3 million. So, do the
21 numbers. We're going to have to increase the fee rate about
22 four times in order to produce the debt service necessary.

23 Well, our position is, a piece of a dam

1 is not worth too much and we can't really go forward with the
2 project at that level. The only other thing that I guess the
3 Board could do would be to decide to somehow either kick Dam
4 10 into gear, which, because that's a federal project, we
5 don't have a lot of control on it, or to go back and petition
6 to get our funding restored for Dam 9.

7 We've tried to present our case for
8 that in as delicate a way as we can, not to try to circumvent
9 the Governor's policy on this issue, but to make it
10 understood that we think it's an exception to the normal rule
11 on fee increases because that's what the agency was set up
12 for is to build these types of structures, and it was always
13 anticipated that the fees would have to go up when we got
14 into construction. That's been our plan for the last ten
15 years and I don't think we've diverged from that or we're
16 trying to throw a surprise on anyone at this point, but
17 that's where we are with the budget as it stands.

18 MR. MARTIN: Don, Senator Barrows and
19 his group and Representative Damron, they all have talked
20 about trying to get this money back in for us. I know I was
21 at a legislative breakfast just recently and brought it up
22 and then we had an airport meeting and Senator Barrows said
23 that he's trying to get this money back in there. If that

1 Dam 10 fails, the whole thing would fail.

2 MR. MORSE: Right. We think it's an
3 important project.

4 MR. REEDER: Yes. The project has been
5 on our books for some time and, as Don said, we've already
6 designed it. We've got a couple of million dollars in the
7 project already and design will be finished with it. All the
8 permits will be secured to build it and it's essentially just
9 a replacement of the dam as it is. It doesn't raise it but
10 it secures a dam that's got real structural engineering
11 problems in it.

12 And when you look at Pool No. 9, all
13 pools are important if one soul takes water out of it. But,
14 in this case, you've got a population of 265,000 in Lexington
15 not including the University of Kentucky when it's in
16 session. You've probably got another, according to what we
17 understand, 40,000 to 50,000 migrant type people that may or
18 may not be legal that live there. You have a gross county
19 product according to the Economic Development Cabinet of
20 \$11.5 billion annually.

21 We have also from that pool supplied
22 the City of Midway 100%, the eastern half of Scott County
23 from I-75, including Toyota, which is one customer, but what

1 a customer it is, and---

2 MR. MARTIN: Sure. It would put
3 several companies out of business if that closes.

4 MR. REEDER: Right. And if you ever
5 put Toyota out of business, why, you've put a whole lot of
6 things in the state out of business because if you count all
7 the people that make wheels and glass and seat covers and
8 whatever all over the place -- I mean, Eastern Kentucky,
9 Western Kentucky, Southern, Kentucky -- it's got a pretty
10 broad spin-off to it.

11 This dam is one that's not in good
12 shape. I have no doubt, as you said, some of the legislators
13 are already discussing it. I will no doubt be called over
14 there to testify in the next couple of weeks probably. Now,
15 I can't tell those people that it's going to collapse before
16 we have another legislative session, but I can't tell them
17 that it's not. All I can do is present the evidence that the
18 engineering firms have given us and it's not good and it's
19 been something that we have flagged.

20 I think even before we took an active
21 role in investigating the thing, Kentucky-American Water
22 Company had quite a few engineering studies done on the
23 thing. It's a risky business.

1 Now, the bright side of this is -- we
2 have to look at the positive side of it -- the Budget Office
3 did recommend the project. They just didn't recommend a way
4 to pay for it except for what we had in the bank. So, we've
5 got a project that's probably going to have a construction
6 cost on the street of probably \$16 million left, maybe \$17
7 million, and we've got \$3 million, \$3.5 million in cash.
8 Well, we can't let a contract on that. We'll have to let the
9 plan set there. Well, the plans set there. Then what
10 happens? Plans get old. They've got to be updated again
11 before you let them out.

12 The other thing is, I asked the
13 engineering consultant if they could break down the project.
14 I said could you pick out those most critical elements that
15 are there. Could we have a partial project? Well, a partial
16 project is double what we've got in the bank.

17 The weak parts of it are the lock, the
18 auxiliary dam, and then on the opposite side from the lock,
19 there's a weak wall over there. But any way you break that
20 thing out, you can't really cut it up into anything
21 significant, and then you have to have a modified design
22 which would cost you more if you had to do it twice anyway.

23 So, we don't want to certainly take a

1 position that we're going against something the
2 administration doesn't want. I don't believe that for a
3 minute because they wouldn't have said the project was okay
4 in the first place.

5 But the way I look at it is this.
6 We're not a state agency anyway, per se. We're a quasi state
7 agency -- we're not part of the Executive Branch -- and it's
8 been historic in all of these types of agencies that we are
9 to basically fend for ourselves for the most part. Our
10 connection to the government is what the Legislature created
11 for us. We're a creature of the Legislature. These things
12 are created.

13 I wish the students were here. I think
14 we'll have some students after while. Give them a little
15 civics lesson or government lesson.

16 But boards such as this and the
17 Turnpike Authority and the Housing Corporation and a bunch of
18 these things were all created by the Legislature to get
19 around the constitutional prohibition of borrowing money.
20 You can't borrow any significant money on two years' income.

21 So, all these things grew up as quasi
22 government entities that had the support of the government
23 but were not guaranteed by it. They're guaranteed by their

1 own stream of income. In our case, the stream of income is
2 what we collect from utilities. In order to back that
3 collateral up, then, we have to raise fees and that's the way
4 the law was written.

5 So, the legislators will no doubt have
6 a different view of it than any Executive Branch because as
7 far as the Executive Branch is concerned, we're not really a
8 line agency. We're attached to Finance in this case. We
9 used to be attached to Natural Resources or Environmental
10 Protection. We're attached to Finance strictly for
11 administrative purposes which means those things that we
12 really can't afford to do for ourselves or it's better done
13 by some centralized agency.

14 So, I don't think we ought to read into
15 it here that the administration has done us wrong. Nobody
16 has done us wrong. This proposition is on the floor. Even
17 if the Governor had recommended it and said do everything
18 they want, we've still got to sell it over there because
19 nothing becomes law. You know, we've seen the last five, six
20 years we've gone a good while on continuation type budgets
21 like the federal government does sometime. The Legislature
22 didn't even pass one. That's real chaos.

23 And, so, what we're doing here is we're

1 really--that was just to me the first step that it had to go
2 through. It's where it ought to be now. It's on the floor.
3 We can defend the project. It's a good project. It's not
4 something that we consider to be optional. It needs to be
5 done.

6 The thing about it is that Dam 9 just
7 has such a tremendous impact statewide. It goes into other
8 counties for direct supply. It's got such a huge economy.
9 It's 10% of the state's gross state product in Fayette County
10 alone; and with a dam failure, it's easy to figure it because
11 there is no water.

12 There's a two week supply there. Can
13 you fix it real quick? Yes, you can fix it for a while. You
14 can go in there and dam it up. We've got a structural
15 failure plan. You can go in there and dam it up and work on
16 it for a while but you don't have any guarantee of anything.
17 So, you have a potentially dangerous situation.

18 I think that what our next mission is
19 is just to present our case for the Legislature as best we
20 can. They get these ideas, too, they're not going to let
21 anybody raise these. Some of these people campaign on it.
22 So, you never know what you're going to run into.

23 There's significant support among

1 knowledgeable people that deal with the issue, but someone,
2 say, from Western Kentucky or some place away from here, he
3 may not be too interested in it. So, we just have to take
4 our best shot with that and, if we fail, we'll have to try
5 again next time and hope nothing doesn't happen in the
6 meantime or we may have to go back and try to continue our
7 efforts in Congress some way, see if we can get some federal
8 money for it.

9 But we do have all the pre-construction
10 work done. We're sort of caught on this one. We really need
11 to go on with it because of the impact brought on by its
12 condition and brought on by the fact that we've just plain
13 got a bunch of money invested in this thing that we need to
14 do something with.

15 Some people think when a recommendation
16 comes out of the Governor's Office, that's it or his Budget
17 Office. Well, that's not the way it works. You see these
18 things. When the Legislature gets through with them, they
19 don't even resemble what they started with anyway. That's
20 not of a real concern to me. My concern right now is how
21 many of those guys over there believe in it.

22 MR. GRIER: Steve, have you had any
23 feedback from the letters that you wrote? I saw there are

1 three or four letters in this package.

2 MR. REEDER: No, not really. Just--no.

3 MR. GRIER: Have you been able to talk
4 to any of these people?

5 MR. REEDER: No, no. No. I think
6 they've just shipped it out, as with all agencies. The
7 economic situation is not a good thing anywhere anyhow. I'm
8 not sure if they wanted to do anything about it or if they
9 would have taken--I'm not sure how much difference that would
10 make anyway because that climate in the Legislature is a
11 completely different ball game and that's where our issue
12 lies at this point.

13 MR. REESE: Steve, is federal money
14 used in this project?

15 MR. REEDER: No, no. No federal money
16 in that. Federal money in 10, the next one down. That's a
17 congressional ADD.

18 MR. MARTIN: Nine isn't?

19 MR. REEDER: Nine is not. That's why
20 it's moved along as fast as it has because there's not any
21 federal oversight to it.

22 MR. MARTIN: Mr. Reeder, what about
23 Homeland Security money? They put it out on bridges. They

1 put it out for other things. Water supply is one of the most
2 important things that we have here and it's the most apt to
3 be damaged by somebody.

4 MR. REEDER: When we started the
5 project, we didn't pursue anything like that simply because--
6 well, the Homeland Security, that's something that's sort of
7 grown up after we got the thing going. Anything would be a
8 good thought if we don't succeed in the Legislature. It
9 definitely would be because---

10 MR. MARTIN : I know we're taking
11 precautions in our town to protect the waterworks, the water
12 towers. Everything is locked up. If you don't have the
13 water, what's the since of locking it up?

14 MR. REEDER: Well, after 9/11,
15 Kentucky-American Water Company, which owns or has the
16 franchise to run the plant, owns the plant, they provided
17 24-hour protection on that thing for a year, year and a half,
18 and I guess they thought the threat went away. They
19 recognize it. They recognize it. And it's just plain old.
20 I'm more afraid of the age of the darn thing and high water
21 than I am terrorists but anything is possible with it. It's
22 a good thought, Mayor Martin.

23 MR. GRIER: Steve, who has to approve

1 rate increases? Does that go---

2 MR. REEDER: Legislature.

3 MR. GRIER: The Legislature has to
4 approve it.

5 MR. REEDER: Yes. They've got to
6 approve the budget and they have to approve our ability to
7 raise rates. The significant thing here is we're not asking
8 for any of their money. We're just asking for the ability to
9 raise our own rates. And as far as I know -- and other
10 people can speak to this -- but as far as I know, the rate
11 payers that have been exposed to this project, there's not
12 been any objection to the rate payers.

13 It amounts to a rate increase--the rate
14 increase we want to do what we want amounts to a raise of
15 about 25 cents now that river users pay to about 65 cents a
16 month. That's what it really amounts to. And it's paid for
17 by the dozen utilities that are on the river, and we've not
18 had any opposition to that because everybody is going to be
19 the recipient of it, and when we get through with this one,
20 they'll be another one. But the General Assembly must
21 approve that and appropriate it. So, it's an issue with the
22 General Assembly anyway, not really with the administration.

23 CHAIRMAN WARE: Steve, what do you need

1 from the Board? Would it be appropriate for the Board to
2 make a motion to support the restoration of the bond funding
3 through raising Tier II fees?

4 MR. REEDER: I think that would be an
5 appropriate action at this point in time. Yes, sir.

6 CHAIRMAN WARE: I would entertain a
7 motion of that nature.

8 MR. GRIER: I would so move, Mr.
9 Chairman. You can word it to fix the exact need. As a
10 resident of Lexington, I feel--and I know what the dam is
11 like. I totally agree with everything you said, Mr. Reeder.
12 From my own personal knowledge, every time I've been out
13 there, it's a very critical area -- no question about that.
14 And it could go suddenly or it could take it as long as an
15 hour.

16 CHAIRMAN WARE: Okay. We have a motion
17 then on the floor to, as a Board, to support any efforts to
18 restore the funding based on the increase of Tier II fees.

19 MR. WELTY: Second.

20 CHAIRMAN WARE: And we had a second to
21 that motion.

22 MR. CAINES: Second.

23 CHAIRMAN WARE: Any discussion?

1 MR. WELTY: That fee based on the paper
2 that was handed out?

3 MR. REEDER: Yes.

4 MR. MORSE: This is some information we
5 provided the Legislative Research Commission budget staff.
6 They wanted to know exactly who would be impacted by the rate
7 increase and how much. So, this gives you an idea of that.
8 And it's an estimate until we actually see what our interest
9 rates are and we won't know how much the rate will have to go
10 up exactly.

11 One thing I did want to say. In
12 talking with some of the fee payers in this list, we would
13 want to discourage some of the tendency to look at these
14 projects as does it benefit me in particular. That's kind of
15 an attitude I pick up talking to some people. Well, if I'm
16 Lexington, I don't mind paying to reconstruct Dam 9; but if
17 I'm Irvine, for example, I may not be so in favor of that.

18 I think we need to foster the idea that
19 it's a complete water supply system and eventually every one
20 of these things is going to be replaced. We're all in the
21 project together and the project in total is the whole
22 system.

23 MR. REEDER: Excellent point. And not

1 only that, that argument frequently comes up because people
2 tend to look at them as 14 lakes rather than a system. But
3 the bare truth of it is with regard to Dam No. 9 is that
4 Kentucky-American and Lexington is paying for 45% of
5 everything we do everywhere else. The work we did at Dam 3
6 last year, if we do something at 14, 45% of it is paid for by
7 Lexington. So, that's another way to spin that.

8 CHAIRMAN WARE: Well, you can't
9 discount the situations like the Bluegrass Water Supply
10 Commission of wheeling treated water among users in the
11 basin, too. So, it's not just tied to the flow of the river
12 necessarily.

13 MR. REEDER: Plus, you've got another
14 dynamic that we found out last year. We had a similar
15 situation at 9 that developed at Dam No. 3, a very weak dam,
16 and we had to do an emergency project there.

17 One of the things that engineers told
18 us real quick is that if you were to lose Dam No. 3, they
19 said, you take all the stabilizing pressure off of Dam 4, and
20 if there's any weakness in there that you have not detected,
21 you could lose 4 right quick if the pool was drained. Well,
22 4 is the capital city. That's Mr. Caines' operation 100%.

23 If you carry that same logic and you

1 look at Dam No. 9, you would lose 10. Ten is as bad as it
2 is, every bit, and that's recognized by the Corps of
3 Engineers. And then you've got 11 which is Richmond and so
4 on. Even if it didn't collapse it at that time, it could
5 weaken it severely because some of those things are not
6 anchored well. So, that's what you're looking at.

7 MR. GRIER: Mr. Chairman, if this
8 motion passes and is reworded, would the office send each one
9 of us a final wording because it's so important, just in an
10 email or something, if we could see how it's finally worded.

11 MR. REEDER: I think the way it would
12 be worded, just paraphrasing it, would be that it would be an
13 expressed general support for restoring the funding as
14 requested in the budget.

15 MR. WELTY: Steve, do they allow you to
16 ask to meet before them?

17 MR. REEDER: Yes, they're likely to.
18 They're very likely to call me, I understand. It'll be
19 assigned to a subcommittee. And during the month of
20 February, historically the Appropriations and Revenue
21 Committee is really developing the budget in the House and
22 it's divided into subcommittees.

23 We fall under General Government, I

1 believe, Don, and that committee addresses such questions as
2 ours and such issues as ours and all of our agency requests.

3 In the past, they've all been pretty normal. We didn't have
4 to respond to very much. But this time, they're going to
5 look at it probably a lot more closely. We're no doubt going
6 to be called in the next week or so.

7 CHAIRMAN WARE: Would it be appropriate
8 for each Board member to communicate with their House and
9 Senate representatives---

10 MR. REEDER: Oh, yes.

11 CHAIRMAN WARE: ---on this?

12 MR. REEDER: If they agree with it, I
13 think if they can render any support that they might for this
14 project.

15 MR. WELTY: It would be good that we
16 got the complete list of all those people that serve on that
17 committee and all, the date that it happens, if we can, it
18 behooves us to go in with you showing our support also.

19 MR. REEDER: We can provide that. We
20 can provide a list of the subcommittee. If it's the General
21 Government Subcommittee we're assigned to, Bill, it'll be
22 Royce Adams chairing, one of your neighbors.

23 MR. REESE: Mr. Chairman, I'd like to

1 have some wording on Mr. Grier's motion before we vote or
2 whatever. Just give us the wording so that we know what
3 we're voting on.

4 CHAIRMAN WARE: Yes. I've given my
5 version of it and Steve gave, I think, a similar version of
6 it.

7 MR. REEDER: Well, let's write one down
8 so we'll have it very specific. I think it would be a
9 resolution to express general support to restore the funding
10 we requested for Dam 9 which would include the sale of bonds
11 which will be supported by a fee increase---

12 CHAIRMAN WARE: Specifically Tier II
13 fees?

14 MR. REEDER: Tier II fees based on
15 water user fees.

16 MR. GRIER: Could that be preceded by
17 the phrase because of the critical nature of Dam No. 9, this
18 Board strongly urges that -- words that try to project the
19 urgency of this---

20 MR. REEDER: Right.

21 MR. GRIER: ---because it is very
22 urgent. It's very urgent.

23 MR. REEDER: Like I said, we're really

1 not asking for anything. We're just asking for permission to
2 raise our own fees. That's what you're asking for.

3 MR. REESE: Yes. I'm sure most of you
4 are aware that Mr. Grier here is an architect and he is
5 familiar with these things and I would strongly urge the
6 Board to agree with his motion here.

7 CHAIRMAN WARE: We have a motion and a
8 second. If there's no further discussion, we'll take a vote
9 on this. All in favor aye. Any opposition? Motion passes.

10 I've got one quick question for Tom
11 Calkins. Is your organization or the Bluegrass Water Supply
12 Commission, is it also pursuing support for this project as
13 we've discussed today?

14 MR. CALKINS: Yes. In our discussion
15 with the Legislature and some of the members that Mayor
16 Martin previously mentioned at the beginning of the meeting,
17 we've mentioned this problem in the draft proposal of the
18 Governor's budget restricting the ability for you all to
19 raise the Tier II fees because, in addition to the mutual
20 concern that we have over the condition of the dams, 9 in
21 particular as we're talking about here today, but also other
22 dams on the river, we're extremely concerned now as to what a
23 problem on any of the pools might do regionally for us in

1 2009 and 2010.

2 We recently had the 2009 announcement
3 for Sakrasuie (sic) out of Japan to be in Winchester, Clark
4 County in the new Industrial Park, and then we have
5 population estimates that have been in the newspaper here
6 recently anywhere from 300,000 to 600,000 additional people
7 on top of what Mr. Reeder was talking about population-wise
8 in 2010 for the World Equestrian Games.

9 We can quantify just that one Sakrasuie
10 increment additional demand based on what company officials
11 have asked for and that's already 1.6 million gallons per day
12 and the plant hasn't even been built. The incremental demand
13 on regional supplies as a result of the World Equestrian
14 Games -- and it's virtually all going to be Kentucky-
15 American, of course -- is at this point unknown.

16 So, it's even more than just the
17 critical condition of Dam 9 and some of the other dams in the
18 Kentucky River system that have us concerned.

19 CHAIRMAN WARE: Thanks, Tom. Any more
20 discussion on this agenda item?

21 Before we move on, I'd like to
22 recognize the fine group of young people that wandered in a
23 few minutes ago. I've been told that this is a group from

1 Estill County, a youth leadership group called YALL, an
2 acronym for Youth Alliance Leadership Legion. The adult
3 leaders are Lucy Flannery and Teresa Rader, and they're
4 accompanied by Magistrate Kevin Williams. We welcome you all
5 to our meeting.

6 The next item on our agenda concerns a
7 report on 2006 legislation by Steve Reeder.

8 MR. REEDER: Well, at this point, the
9 budget is our major focus of any legislation, but there's one
10 item that we considered critical which I've given to the
11 Finance Cabinet to deal with as part of their clean-up
12 legislation and that is simply the issue on the membership.

13 The statute which created our Board
14 does not state that the members will serve at the expiration
15 of their term until their successor is appointed and
16 qualified. Most all the boards have that type of language in
17 their enabling statutes -- frankly, all of them. This one
18 does not. And whether it was an oversight or whatever, you
19 can't second guess that because you can't read into any
20 legislative intention into anything unless it's written out
21 in plain language in the State of Kentucky. That's the law.

22 And, so, what happened to us last year
23 we had--and you have these delays. You have these delays in

1 appointments. I don't care which administration you're in,
2 you have them. I used to have the job myself as Appointment
3 Secretary in the Governor's Office a long time ago. There's
4 too many things. Governors get too busy. They have too many
5 issues going on for them to make these appointments in a
6 timely way. And what happened to us is that we got caught
7 with about five or six people that really couldn't vote. At
8 least we advised them not to vote. The closest law you've
9 got are a couple of old Attorney General's opinions that say,
10 well, if it doesn't say it, that's probably okay. Well, it's
11 not probably okay if somebody sues you over a decision they
12 don't like. So, we just advised those people not to vote.

13 So, the magic words are -- and it can
14 be handled in legislation. It's been suggested that it could
15 be handled by Executive Order in the appointment of the
16 member but that's not so because the Governor can't usurp the
17 Legislature unless it's by reorganization, unless he's got a
18 reorganization type of order that he's dealing with when he
19 makes the appointment.

20 So, the words we want is that the
21 Governor shall appoint a member for a term of four years or
22 until a successor is duly appointed and qualified, and that's
23 the magic words that we want to have passed. It would just

1 be very helpful because nobody is ever on time. No
2 administration is on time with these things. They've got
3 advisory boards, boards of trustees at universities, boards
4 such as ours which are quasi-governmental boards. When I did
5 it, I had two hundred something that I was responsible for
6 getting to the Governor and they expired continually.

7 During this administration, I talked to
8 the individual who was the Appointment Secretary early on. I
9 said, well, you've got 200 boards. He said, well, you had
10 200 boards. He said I have 400 I keep up with. And,
11 historically, there's one person that does that who has one
12 secretary and one assistant and that's true for all
13 administrations. And, so, you can't physically keep up with
14 it.

15 I know when I was doing it, the
16 Governor I worked for was running for another office at the
17 time, running for the United States Senate. Well, he was
18 gone three-fourths of the time, and then I had to deal with
19 these university presidents and people who were mad, but it
20 happened. No matter what the reason for it is it happens.

21 But if you get caught in a situation
22 like ours where the voting status of that member is in
23 question, then you've got a potential problem legally. So,

1 we think that's just good business.

2 In truth, probably what happened,
3 somebody forgot to write it in there. Probably had a new guy
4 in the General Counsel's Office that wrote it. He wrote it
5 wrong when they did it or in the Legislative Research
6 Commission when they wrote the law and that's probably the
7 truth of the matter, but that's not the way it is. You make
8 a mistake on a piece of legislation and you live with it
9 until somebody changes it.

10 So, we want that change to be made and
11 that's a good piece of clean-up legislation and I hope it
12 gets in there some place and passes. It's not in a bill
13 right now, but those bills are like the budget. A lot of
14 them are just being developed right now. But we know of no
15 other legislation that adversely or conversely would help us
16 that's laying out there anywhere that would have to be
17 reported on right now.

18 If you watch the Legislature, about
19 three-fourths of your legislation comes in the last month
20 anyhow. That's when you start reading the stuff.

21 CHAIRMAN WARE: Thank you, Steve. Next
22 item, Steve is going to discuss proposed purchase of property
23 adjacent to Lock and Dam 4.

1 MR. REEDER: There again, I don't have
2 a lot more to report. That's the property that we talked
3 about at the last meeting, full meeting we had, that the City
4 of Frankfort offered to sell us at Lock 4 which is former
5 Corps of Engineers' property which was deeded to the City
6 through various channels over a period of time when the Corps
7 downsized operations in this area. It joins us.

8 The main attraction we have there is
9 that there's a big storage building. Since we moved our
10 operations from Boonesborough to Frankfort, we're short on
11 space for equipment and things of that nature, either rolling
12 equipment or just plain other kinds of equipment that we have
13 to keep inside.

14 We're dealing with a historic piece of
15 property that we're on where the State Historic Preservation
16 Officer is probably not going to let us do much building on
17 and, if it did, it would probably ruin any possibility for a
18 T-21 grant to rework those houses if we put a Morton building
19 or something like that on it and he probably wouldn't approve
20 it to begin with. So, this property is very attractive to us
21 because it has a building on it that the Corps built a lot
22 time ago that would house anything we want.

23 The City had it appraised. The City's

1 appraiser was not approved by the Finance Cabinet. The
2 Finance Cabinet, like the Highway Department, has to have
3 their own appraisals done by somebody who is on their list
4 who is qualified separately by them. They informed me
5 yesterday that they had employed an appraiser and he would be
6 re-appraising, not reviewing an appraisal, but he would be
7 re-appraising it.

8 I told them that we thought that the
9 appraisal was too high anyway that we got because there's a
10 major sewer line that runs through one piece of it and a gas
11 line and a water line that was not noted on those original
12 appraisals.

13 So, we'll take that up. And I think,
14 Mr. Chairman, we probably would want to have the Legal
15 Affairs and Finance Committee look at that when those
16 appraisals come in.

17 CHAIRMAN WARE: Okay.

18 MR. GRIER: What part of the budget
19 would this come out of? Is this operations or what?

20 MR. REEDER: It would have to come out
21 of our own money. It wouldn't be out of General Fund money.
22 It would be our own money. The Budget Office, they are
23 committed, at least in the current budget we're in, they're

1 committed in writing to me to modify the budget and take it
2 somewhere out of that \$3.5 million we've got. It would not
3 come out of any General Fund money and we have not
4 specifically asked for that in the next budget either. So,
5 they would have to modify it. That's what it would come out
6 of. It would be fee money, surplus fee money. Of course, if
7 we don't get the project, we have a lot of money.

8 MR. WELTY: Steve, what was the
9 original appraisal?

10 MR. REEDER: The original appraisal for
11 three tracts, it was appraised in three pieces and the total
12 appraisal on the original appraisal was \$177,000. The piece
13 that we really want if they would sever it off was originally
14 appraised for \$100,000.

15 Now, one piece of it is, we think,
16 exorbitant in appraisal and that's the \$77,000 tract. The
17 rest of it is \$100,000, but we think that's very exorbitant
18 because it's got a sewer line down the middle of it that
19 really restricts any construction of it where the Fire
20 Department's tower used to be, Warner.

21 MR. GRIER: It's in a floodplain, isn't
22 it?

23 MR. REEDER: It's in the floodplain.

1 That's another thing. There's only certain kind of buildings
2 you can put in the floodplain. And, so, you're best off if
3 you've got one that's already there like this one piece of
4 property has.

5 CHAIRMAN WARE: Any other questions?

6 MR. REESE: What benefit would it be to
7 the Authority? What's the benefit?

8 MR. REEDER: What benefit? We get that
9 big building for additional storage. That's the main benefit
10 to it, Judge, and we're also advised that if we pay--if the
11 state -- and the Commerce Cabinet may be pursuing this -- if
12 the state government gets a T-21 grant or one of these ISTEA
13 grants for rehabilitation of those houses to make it a museum
14 and put offices in there for us, whatever we pay for it is
15 eligible for the state's share, which is 20% of a T-21 grant.
16 The value of it is primarily for that building.

17 MR. DAY: Is this property close---

18 MR. WELTY: I noticed a date of June.
19 Are we looking at making a decision on this sometime in---

20 MR. REEDER: When they get that
21 appraisal finished, which I'm assuming they're working on it
22 now, and I'm assuming in another month, we'll have something
23 to look at.

1 MR. WELTY: I, one, would like to be
2 able to see what I'm---

3 MR. REEDER: Yes. I would like to have
4 all the members, particularly of the subcommittee that's
5 going to make a recommendation, go over and look at it. Yes,
6 I think that's a good idea. I've said that before. We are
7 premature right now in having an official look at it because
8 we don't even know what we're talking about in terms of
9 money. But anytime anybody wants to come over. I think Rex
10 Morgan has looked at it, but I don't think you looked at it
11 from the standpoint of what we were going to buy unless they
12 showed you over there.

13 MR. MORGAN: They showed me.

14 MR. REEDER: Yes.

15 MR. DAY: Is this property close to 70
16 Wilkinson Boulevard?

17 MR. REEDER: No. It's across the river
18 from us.

19 MR. DAY: Of course, I don't even know
20 that much about the City of Frankfort as to where---

21 MR. REEDER: This is the old lock
22 property, Lock 4. Earl has an office at Lock 4, the Corps of
23 Engineers' office over there, and it's at Lock 4 which is on

1 the other side of the river in the community of Bellepoint.

2 CHAIRMAN WARE: Across from Jim's
3 Seafood.

4 MR. REEDER: Right. Just off of 421,
5 the New Castle Road.

6 MR. DAY: It must be across where Earl
7 eats all the time.

8 MR. REEDER: Exactly. Exactly. If you
9 go to Jim's Seafood, you can see it.

10 MR. DAY: Yes. Thank you, Steve.

11 MR. REEDER: But I'll take any of you
12 over there anytime you're in town and show it to you.

13 MR. WELTY: Right across the dam here.

14 MR. CHRISTOPHER: Jim's Seafood or to
15 the property?

16 MR. REEDER: The property.

17 MR. CAINES: Good try.

18 MR. GRIER: It's used for storage, I
19 presume, for stuff when there's a flood anticipated when some
20 of that could be moved in there.

21 MR. REEDER: Yes. We've already
22 experienced that because it takes quite a flood to get in on
23 our property. What it does first in that community over

1 there, it cuts you off about six feet before it floods that
2 property.

3 At one time, the Fire Department wanted
4 to lease it from the Corps of Engineers and wanted to--well,
5 they already own it. They didn't want to lease it, but they
6 wanted to lease some of our property along with it and build
7 a big training center over there. Then they figured out that
8 it flooded and they couldn't get their equipment out. So,
9 they dropped that idea and decided to build their facility
10 somewhere else.

11 But it cuts you off. It's a very
12 annoying thing because you're always wondering when it's
13 going to come over the road because, when it comes over the
14 road, it's too late if it gets any higher. The last time the
15 property was flooded completely was in the '78 flood. That
16 was the last time.

17 What's interesting, one of our existing
18 buildings as well as the one we're looking at, they both have
19 lifts in them where small equipment can be taken to the
20 second floor. Big rolling equipment, trucks, you take them
21 to the city park and the City lets us put that kind of
22 equipment on tractors, that kind of thing. But the other
23 stuff, the lawn mowers, the small stuff, we put in the attic,

1 and this building has got a huge attic just like the smaller
2 building we've got.

3 CHAIRMAN WARE: Steve, I think it would
4 appropriate if we can set up a time when the Finance and
5 Legal Affairs Subcommittee can meet and look at the property
6 sometime in the next month or two.

7 MR. REEDER: Be fine. We'll set it up.
8 We need to meet with them anyway because we need to consider
9 another issue or so.

10 CHAIRMAN WARE: Any other question on
11 the property at Lock and Dam 4?

12 Let's move on to the next agenda item.

13 I would like to welcome Estill County Judge Wallace Taylor
14 to provide a discussion for a proposal of the use of Lock and
15 Dam 12 property.

16 MR. TAYLOR: Thank you for this
17 opportunity to be here today. It's a great privilege to come
18 down and you all take some time out of your busy schedule to
19 hear a proposal we've put together.

20 And I certainly do appreciate the young
21 group for coming today to support me, and they can correct me
22 when I get home on all the things I've done wrong today. And
23 good to see young people try to get involved in government

1 and how the government works.

2 I think I sent a presentation and I
3 think most of you have it in your packet. I'm not going to
4 go hand-in-hand with this packet. It's just some ideas we've
5 thrown together, some graphics that you may want to see to
6 give you a better realization of what the Estill County
7 lockhouses look like. Some of you may not have been
8 fortunate to attend.

9 As County Judges, when we go into
10 office, we're always looking to improve our community in many
11 different ways. We look to utilize the resources that we
12 have and take advantage of each and every one of them. I'm
13 sure Judge Reese has done that for many years in Lee County.

14 One of the things I looked at in Estill
15 County that we have nearly 20 miles of Kentucky River
16 meandered through the middle of our county. We have two
17 locks and a third within just a rock's throw up in Lee
18 County.

19 And I look at that and see it's a water
20 supply currently. A few fishermen. We're getting a new boat
21 ramp. A few fishermen, water activities and that. But I
22 look at one of the most hidden treasures we have there and
23 the most relaxing atmosphere.

1 Many in our own office, we have
2 waterfalls to relax. Being over at the lock property and
3 hearing that water fall, we got to looking and thinking.
4 These two beautiful structures, the older houses,
5 deteriorating, of course. Both of them has got design flaws
6 apparently in the roof because they're both damaged in the
7 very same area. A couple of years ago, we had the
8 opportunity to go through those houses and, to my surprise,
9 they're in relatively good shape other than the roofs there.
10 We thought what a better way than
11 working together with our local government -- we have three
12 governments in Estill County -- all three governments support
13 this project along with many other community groups -- and
14 working with the Kentucky River Authority, we looked at why
15 can't we restore these properties, these two lockhouse
16 properties with a lease agreement that we could work with the
17 Kentucky River Authority to preserve and protect the history
18 of the Kentucky River there at the Lock 12 properties,
19 restoring and repairing the roofs, restoring the structures
20 to a point--one of the houses, what we want to look at
21 putting in -- and I've heard it mentioned here earlier today
22 -- a museum to educate our young people, our visitors and
23 many of our old. I'm sure many of the young people here

1 today have really no idea of the importance of what the lock
2 was at one time or another.

3 And to educate the people about the
4 historical significance of the transportation of the Kentucky
5 River. Even having a small video there showing the lock
6 process. How many, unless you've been to a larger stream of
7 water where they're still doing it, have seen that.

8 The other structure would be renovated
9 into the upstairs portion as the living area. I've heard in
10 other meetings that one of the problems at some of these
11 other restoration projects is vandalism. Well, we felt like
12 if we put a groundskeeper or a director lodge there that they
13 could oversee and lock up at night and keep the grounds up
14 and running.

15 Also, we've thought about a small
16 restaurant in the bottom of one there promoting local grown
17 produce during the season, as well as fixing up the outdoor
18 areas there for picnic areas, shelters for family reunions
19 and people could come and enjoy a day out next to the
20 waterfalls.

21 Another part of the development you'll
22 see in a proposal map there we've laid out is put into the
23 lock there--I think on that side of the river there's about

1 eight and a half acres. We could put in nine to ten RV
2 parking spots that we could rent out. One thing in Estill
3 County we don't have any of those available when people come
4 in to our Mushroom Festival and our Light-Up River Town and
5 different events that we have.

6 Have some outdoor volleyball courts, a
7 few horse shoe pits. It's adjacent to the Estill County Golf
8 Course that maybe dads and moms playing nine rounds of golf,
9 they could come and play volleyball or pitch some horse
10 shoes.

11 Walking trails where people could
12 better exercise around that area. Wouldn't be that long a
13 trail but at least people could get some exercise. One of
14 our elementary schools in our county has one of the highest
15 obesity rates in the State of Kentucky that we're trying to
16 combat.

17 We would also look to try to clean the
18 beaches up. This is my first term in office; and over the
19 last three years we've worked every spring in the River Sweep
20 and we've focused on the beach area. Every year we see the
21 tonnage or the pounds of garbage from that area going down.
22 So, the river is getting cleaner.

23 Many have forgotten the historical

1 significance of the Kentucky River and its transportation.
2 And I remember as a child many years ago -- I was born and
3 raised on the Kentucky River there in Estill County.

4 And I remember you could hear the
5 tugboats when they came through the locks blowing their
6 whistle and I could run a few 100 yards and watch that and it
7 was amazing to see those large--Kentucky River looks big, but
8 when they've got a big tug and a barge in it, it looks kind
9 of small. To see them going up and down the river just
10 amazed me. I know none of the kids here today have seen that
11 and probably many others haven't, and I just thought what a
12 sight to see, and have a video showing in that museum to
13 educate the kids.

14 Funding for this project would come
15 from many sources. We've actually started pursuing, due to
16 some timelines, some grant applications through T-21. There
17 are some historical monies. We've done some research.
18 Tourism dollars, historical dollars and also congressional
19 appropriations.

20 Sometimes people are concerned. You
21 can get some money to fix it, but how can you operate it.
22 We've got a plan to do that. We plan on with the RV pad
23 rentals, which we think we would stay pretty busy, with the

1 income coming from renting the shelters out for family
2 reunions, as well as the restaurant, refreshments served
3 there -- and also in Estill County, just recently we levied a
4 motel tax -- part of that money could go into promoting
5 tourism -- that would be one of the biggest attractions in
6 our county that people could come and see.

7 We're close to Natural Bridge, Red
8 River Gorge. We have the historical Pittsburgh furnace, and
9 we're only an hour away from most parts of Lexington; that
10 people could come and spend the afternoon.

11 In closing, this restoration would
12 preserve part of Kentucky River history, educate our young
13 and old, promote tourism for Central Kentucky.

14 Today, I would ask the Kentucky River
15 Authority to agree to lease or work with us on the property
16 with the Estill County Fiscal Court so that we can move
17 forward as we talk with an agreement that we can relieve
18 currently the maintenance off the ground.

19 I know I've heard much conversation
20 today about budget issues. It's costly to come to Irvine to
21 mow a few acres when we have the equipment that could do it
22 there and gladly do it, to start moving forward.

23 And we can improve this area of the

1 Kentucky River by working together, the River Authority, the
2 Estill County Fiscal Court, the YALL group and other
3 concerned citizens to develop something there that everyone
4 could utilize.

5 I'd be glad to answer any possible
6 questions that the committee may have.

7 CHAIRMAN WARE: Any questions for Judge
8 Taylor?

9 MR. DAY: That was good, Judge.

10 MR. MARTIN: We have one of those at
11 High Bridge.

12 MR. TAYLOR: Pardon?

13 MR. MARTIN: I said we have one at High
14 Bridge, the observation deck, and we have picnic shelters and
15 stuff. We don't have paddle boats but the palisades are
16 there.

17 MR. TAYLOR: Well, I think one of our
18 magistrates had talked and traveled in the western part of
19 the state and talked about promoting tourism in our community
20 and some day taking that project and maybe having river
21 floats where a family could come on a Sunday afternoon after
22 church, rent some innertubes and float down the river to the
23 river restaurant, get in a van and be shuttled back.

1 Generate \$10, \$20. Where can a family have an afternoon of
2 entertainment for \$20 dollars now and relax on the water?

3 And it's a resource that we've got
4 there. Every elected official looks at creating jobs
5 throughout this state. If we promote our tourism, we create
6 jobs. We have money coming in from other parts that we don't
7 have to provide this much infrastructure to maintain them.

8 CHAIRMAN WARE: Appreciate the
9 proposal, Judge, and, obviously, we'll be a cooperator in
10 this effort. At the appropriate time, our Parks and
11 Recreation Subcommittee will need to initiate discussions
12 with you. Randall is the chairperson for that subcommittee.
13 You all need to sit down and propose a strategy and bring it
14 to the full Board. You go ahead and work through staff on
15 that, Randall.

16 MR. CHRISTOPHER: Okay.

17 MR. GRIER: Would you be looking at
18 leasing the entire parcel that the Corps once owned?

19 MR. TAYLOR: Yes.

20 MR. GRIER: That's what you would be
21 looking at. How about the other side?

22 MR. TAYLOR: We'll be glad to take it
23 all. We're not going to pick and choose. I think with

1 future development plans, we would do some things in that
2 area, too, to utilize that.

3 MR. GRIER: I presume you would
4 promote, assuming that you got a restaurant out there, that
5 would be promoted in town because it's not something you just
6 sort of drive by.

7 MR. TAYLOR: No, it would be promoted,
8 advertised, promoted in town, and I've had a lot of people
9 come to me and say what a better place to have a restaurant.
10 I eat at Jim's Seafood occasionally down here and I sit
11 there after a hectic day on Capitol Hill and it just kind of
12 relaxes you to get away from it.

13 And people would come, too. We have
14 Cedar Village Restaurant there in Irvine that many people
15 from Richmond, Lexington come there to eat. I had an office
16 right next door to it and didn't hardly ever eat there, but
17 people want something different. And if you had small
18 outdoor picnic tables on a Saturday evening at the waterfall,
19 people would come.

20 CHAIRMAN WARE: Is accessibility pretty
21 convenient at this location?

22 MR. TAYLOR: Yes, sir. Yes, sir.
23 It's right off a secondary road. Is that a secondary road?

1 MR. WILLIAMS: Yes, sir.

2 MR. TAYLOR: State road. Good access
3 into it. Beautiful landscape. Just the houses--they're
4 going to need some attention rather quickly on the roofs,
5 but other than that, I think they're in pretty good shape
6 considering no maintenance for quite some time.

7 MR. REEDER: It's virtually in the City
8 of Ravenna.

9 MR. TAYLOR: Yes.

10 MR. CHRISTOPHER: It's a great idea.

11 MR. WILLIAMS: We've got a young person
12 that would like to say just about two minutes about this
13 project. Could she have the floor---

14 CHAIRMAN WARE: Sure.

15 MR. WILLIAMS: ---and support Judge
16 Taylor.

17 MR. TAYLOR: Thank you all.

18 CHAIRMAN WARE: Thank you, Judge
19 Taylor. If you all could introduce yourselves.

20 MS. PETERSON: We're representatives
21 from Irvine YALL group, the Youth Alliance for Leadership and
22 Learning. I'm Bonnie Peterson, and this is Afsi Siahkoohi.

23 We support Judge Taylor's proposal for

1 the lockhouse. We believe it will help our county with
2 tourism which will help boost our downtown business
3 recruitment and retention. We are trying to help
4 economically develop our downtown. The lockhouse will help
5 us in this process by drawing visitors in to utilize our
6 businesses and hospitalities in the downtown area.

7 MS. SIAHKOHI: This proposal will also
8 give Irvine's residents something to do. We have to drive to
9 Richmond to do most of anything and providing recreation
10 activities like these will help bring the community together
11 for the good of all, and we'll also have a lot of fun
12 floating down that river.

13 And one of the other things is the
14 historical park that he talked about. And one of our goals
15 is to help get the community aware of Estill County's
16 historical significance and the lockhouse and everything.
17 So, that will help with that.

18 MS. PETERSON: And we would really
19 appreciate your support and consideration of this proposal.

20 MS. SIAHKOHI: Thank you.

21 MS. PETERSON: Thanks.

22 CHAIRMAN WARE: Thank you, ladies.

23 MR. REEDER: Mr. Chairman, we've got a

1 little history with this project anyway, or or at least it's
2 been on the table before. It sort of died for lack of local
3 promotion for a while before Judge Taylor came along.

4 The Corps of Engineers pressed us
5 pretty hard to tear those houses down or they were going to
6 tear them down a number of years ago. They still technically
7 own that property. It's supposed to be deeded to us pretty
8 soon. But they want to tear it down but there was enough
9 local interest there. And, so, I guess I made the call at
10 the time. I said, well, there is some interest here.
11 There's not enough interest to promote it and push it right
12 now, but we'll just keep the houses. So, we got the Corps of
13 Engineers basically to preserve the houses by stripping the
14 toxic lead paint off of them and repainting them and---

15 CHAIRMAN WARE: So, all the waste
16 management issues have been resolved?

17 MR. REEDER: Yes, the environmental
18 issues have been resolved. They did tear down some of the
19 outbuildings. They were in a hurry to tear it all down but
20 we stopped it.

21 And one other thing, too, along the
22 line that the Parks Subcommittee is going to take up. We're
23 imminently about to receive the deed to Dam No. 12 like the

1 rest of them.

2 A lot of what the Judge is saying will
3 be more possible with the federal government leaving because
4 they have a lot of restrictive conveyance and so forth on
5 private enterprise making money off of it and you've got to
6 have private enterprise or something like that or you've got
7 to have a mixture of government probably and private to make
8 something like that work.

9 And with the federal restrictions being
10 eliminated when we receive the deed, then, that will allow us
11 not only to look at that property but other such properties
12 and figure out a more realistic way that these properties can
13 be used. Maybe it's a mixed blessing that we didn't push it
14 before because it strictly would have been government project
15 at that time, and now it could conceivably have some private
16 components mixed in with it which would make it feasible,
17 make it work like you're talking about.

18 CHAIRMAN WARE: Yes, Randall.

19 MR. CHRISTOPHER: I just would like to
20 thank the Board for entertaining the idea, and I certainly
21 want to thank our students from Estill County and County
22 Judge Wallace Taylor for coming, all the sponsors. And I
23 hope I didn't leave somebody out there and I may have.

1 I wasn't for sure.

2 MR. WILLIAMS: Our Main Street Manager
3 is Jo Crawford.

4 MR. CHRISTOPHER: All right.
5 Appreciate that. Yes. Good to see you, Jo.

6 I want to say that we're very
7 encouraged by this. This is something I know, Judge Taylor,
8 we've talked about. Earl knows quite a bit historically
9 about our county as well.

10 We need these kinds of things going on
11 in smaller communities like this. I think it shows a lot of
12 pride in what we're trying to accomplish with what we have.
13 We have to be realistic with where we are, what we have, the
14 means we have and what we can accomplish with the resources
15 we have. And, certainly, the Kentucky River, as Judge Taylor
16 pointed out, is very valuable to our county.

17 I don't want to go too far because I
18 know we've got to get it to our subcommittee and we'll come
19 back and we'll work on this, but I do thank the Board for
20 being able to entertain this. I think this can be, as
21 Stephen has pointed out, maybe a good model or good example
22 that we can start with of what many pieces of our property
23 can be like.

1 MS. ELLISTON: I would encourage you
2 all to go to Lock and Dam 10 to see their facility.

3 MR. CHRISTOPHER: Uh-huh (Affirmative).

4 MR. REEDER: This one could be a better
5 project than 10 because you could have some private
6 components. You don't have to go through---

7 MR. CHRISTOPHER: Yes.

8 MR. REEDER: At 10. you've got to go
9 through park rangers and get on park property before you get
10 to it. This is probably one of the better-located ones in
11 the system because it's almost in Ravenna. Like I said a
12 while ago, you're five minutes from Irvine or Ravenna to get
13 in to it and it's got a golf course already next to it.

14 MR. CHRISTOPHER: Yes.

15 MR. REEDER: It's already in a
16 development type of scenario there. It's a pretty place,
17 potentially could be. It's flat.

18 CHAIRMAN WARE: We're going to wait to
19 see what your subcommittee brings back to us, Randall. The
20 educational aspect of this is very important from a
21 historical perspective and we get a lot of bang for our buck
22 with water quality groups and all and grants for those
23 activities. To involve the local young people in this I

1 think is a very interesting element.

2 MR. MARTIN: I bet you what they do on
3 that, too, this project, what they've done could be in-kind
4 labor, I guess, because how hard is it to put up a horse shoe
5 pit---

6 MR. CHRISTOPHER: That's right.

7 MR. MARTIN: ---and the soccer and some
8 of the other stuff. It's a great plan.

9 MR. CHRISTOPHER: Thank you. Thank
10 you, young people. Now get back to school. No, no. Just
11 kidding. We've been enjoying the luxury of a couple of snow
12 days. So, it's all right. We'll take those two days.

13 CHAIRMAN WARE: Well, it's good they're
14 here then because the next item on our agenda is educational
15 as well. I would like to welcome Kerry Prather with the
16 Division of Fisheries to discuss fish habitat on the Kentucky
17 River and tributaries.

18 MR. PRATHER: We've got a PowerPoint
19 presentation. It might take just a second to set that up.

20 CHAIRMAN WARE: Okay. Let's take a
21 short break.

22 (OFF THE RECORD - RECESS)

23 CHAIRMAN WARE: Let's reconvene. Next,

1 we'll have a presentation by Kerry Prather on fish habitats
2 in the Kentucky River.

3 MR. PRATHER: I'm Kerry Prather with
4 Fish & Wildlife Department, Fisheries Division. This is Jeff
5 Crosby, a colleague. He works with me in the fisheries
6 district. We cover 26 counties in Central Kentucky and on
7 the main stem of the Kentucky River we're talking about eight
8 pools. I've been in this district about 21 years and before
9 that I worked six years in Eastern Kentucky and covered the
10 Middle Fork and North Fork Kentucky River. So, I've done a
11 lot of work on the river in the past 28, 29 years.

12 I want to give you a perspective of
13 what we're talking about in the river and we'll go over some
14 of the high points and maybe some of the low points. And I
15 notice in sitting in on your discussion today, I heard nobody
16 really mention the fisheries or fishing in the river, and
17 maybe we can give you a reason why in our presentation here.

18 I was asked to give you a talk about
19 the fish habitat in the river and that's what we're going to
20 address and we'll tell you what's been going on, maybe what
21 was there in the past, what's there now and maybe what the
22 future looks like.

23 A little bit of information here you

1 probably already are aware of. Where the Kentucky River
2 drains is one of the major water systems, watersheds in the
3 state. Seven thousand square miles. Sixteen thousand linear
4 miles of rivers and streams in the watershed. Four hundred
5 and five miles of river, including North Fork in the Kentucky
6 River.

7 Two hundred and fifty-five miles in
8 length. You're well aware of 14 locks and dams. A little
9 over 900 surface acres of water impounded by these dams. And
10 we counted about 30 major tributaries, including the North,
11 Middle and South Fork of the Kentucky Rivers, and these
12 tributaries, by the way, on the main stem are pretty
13 important to the fisheries of the main stem of the river.

14 Some of the fish found or information
15 about the fish found you might see in the river. Don't be
16 misled here. We have 115 species of fish in the Kentucky
17 River draining. Most of these are in the smaller tributaries
18 that feed the main stem. The main stem species--74 species
19 list there. Not too bad but could be better. And then you
20 have to look at the type of species that are there.

21 But almost 50% of all the fish found in
22 the state of the different species, almost 50% are found in
23 the Kentucky River drainage. Kentucky is third in the United

1 States with diversity of fish species. We have bragging
2 rights. This is pretty good. Alabama and Tennessee are the
3 only states ahead of us as far as diversity and this is
4 because Kentucky was not really glaciated. Pretty much
5 stopped there at the Ohio River, came down. We still have a
6 lot of diverse fish habitat, a lot of drainages and a lot of
7 diverse species.

8 Probably many of the species you might
9 see or occur there you would probably never see unless you go
10 out with a sabin and beat the bushes. We put a couple of them
11 here. There's a Green-Sided Darter. They're found around
12 here in the streams.

13 But a lot of these fish are small fish.
14 Don't get much larger than 2, 3, 4 inches but very diverse.
15 A good number of Darters out there and Shinners and Minnows.

16 We also noted an unusual species here,
17 American Eel. This fish spawns in the Sargasso Sea or off the
18 Atlantic and Gulf stream area where you get the currents
19 there. It creates a current in the southern Atlantic Ocean.

20 These fish spawn there. The young migrate to the coast of
21 the US and Europe and the females ascend to rivers of the
22 United States. So, when you see an eel out here in Frankfort
23 that somebody has caught, it's a female American Eel that's

1 come all the way up to the Mississippi River, the Ohio River,
2 the Kentucky River and here it is.

3 And you can see these in tributaries in
4 Eastern Kentucky, small streams. I mean, they'll ascend up
5 there. They live 7, 8, 10 years. Mature. The females
6 leave, go all the way back down, out the Gulf of Mexico, meet
7 the males there at the Gulf and go back to the Sargaso Sea
8 and spawn. So, that fish has come a long way when you see
9 them around here.

10 I'll go ahead and mention the 21
11 species of sport fish that are found in the Kentucky River
12 drainage -- various bass species, Sun Fish, Marones as we
13 call them, Croppies, things like this -- most of them sun
14 fish species and we'll touch on those in a moment.

15 Seventeen species are what we call
16 commercial fish, fish that are caught to sell as profit by
17 commercial fishermen. We've got a few of those left in the
18 Kentucky River. These will be the rough species, like
19 Buffalo, Carp, Paddlefish, things like this.

20 I know that's a lot to read there and
21 you can check that out. There are 20 recognized small mouth
22 bass streams of which ten are considered significant small
23 mouth bass streams. Now, the Kentucky River main stem is not

1 one of these. These are tributary stems like the Elkhorn
2 Creek that feed the system.

3 We have six native muskee streams.
4 They're stocked annually by us to keep the populations going.

5 But, again, native muskee stream means they were found there
6 historically and, if you haven't seen a Muskee, maybe we can
7 --I don't know that we have a picture of one. Really unique
8 fish, large, big teeth, fun to catch. Cave Run Lake is known
9 for them, Green River Lake. Kentucky River was a native
10 muskee stream as was the Licking River and a couple of minor
11 streams, even the Green River, but a very unique fish are
12 there and we do some limited stocking of these fish.

13 There are 16 trout streams in the
14 drainage. Kentucky River is not. The closest thing would be
15 the Dix River below Herrington Lake.

16 And then we mentioned brook trout
17 streams there, high-quality trout streams, and some of these
18 are reproducing trout streams, by the way, which is unusual.

19 A little information here of our
20 stocking summary in the last five years. And I want to
21 mention this; that ideally a good fish population, you don't
22 have to stock it. You shouldn't have to maintain it by
23 stocking. They should reproduce, take care of themselves and

1 be fine. If we have to stock it, there's a problem, whether
2 or not it's bad habitat, poor habitat or angular
3 exploitation, keeping the numbers down or the stream can't
4 produce enough to maintain a quality fishery.

5 This shows you some of the species that
6 we've stocked in the last five years, and the ones with the
7 asterisks there on the left are the ones that were stocked
8 primarily due to the Wild Turkey fish kill which we all
9 remember back two years ago and it shows you some of the
10 numbers

11 We have sampled the main stem Kentucky
12 River. It was one of the first things we did and I really
13 wanted to do in this district by electro fishing. We have a
14 specialized boat that we use to sample for fish. We do it in
15 all of our lakes and reservoirs, and we wanted to do the
16 Kentucky River. We wanted to see what was there, to
17 document, and our purpose was at the time to be able to do it
18 was to say let's evaluate the bass population in the river.
19 Let's see what's there.

20 So, what we want to show you here, we
21 checked the first eight pools of the river and the numbers
22 here represent catch rates. That's what we look at. In
23 other words, fish per hour. If you can imagine an hour out

1 there sampling, idling along in this shocking boat, two
2 people on the front dipping fish. This is the number of bass
3 per hour that we picked up on average.

4 And you can see here Pool 1, a little
5 over 18 fish per hour -- not great but one of the higher
6 levels. And then Pool 7 was 18 as well.

7 To give you a comparison, here's
8 Elkhorn Creek and you can see, this is large mouth. Elkhorn
9 is small mouth habitat and look at the numbers of small mouth
10 in Elkhorn Creek as compared to the Kentucky River up through
11 here. So, it's not small mouth habitat, it's not really
12 large mouth habitat, and it's not really Spotted Bass habitat
13 as it is right now.

14 For comparison also, I wanted to put
15 Herrington Lake here. It is Large Mouth Bass habitat. So,
16 we have some good catch rates there of those fish. It's not
17 small mouth habitat, and it's mediocre Spotted Bass habitat.

18 Meldahl Pool, the Ohio River, for
19 comparison. You want to compare apples to apples. Ohio
20 River just a larger version of the Kentucky River. We were
21 able to find a few large mouth there but not in really great
22 numbers as you would compare to Herrington. Same thing with
23 small mouth and spotted. It's not small mouth or spotted

1 bass habitat.

2 Interesting note. Large mouth, Small
3 Mouth, Spotted Bass are species of Black Bass. They have
4 different habitat requirements. That's why they're
5 different. Large mouth like standing water like your pond, a
6 lake. Small mouth like flowing water with clean, rocky
7 substrate. Flowing water. Spotted Bass is kind of in
8 between. Our state fish. And they're a stream fish as well.
9 They just don't usually get as big as the large mouth. But
10 I want you to be aware each bass has its own preferred
11 habitat.

12 A lot of numbers here also. But
13 Walleye and Sauger, we thought we would mention this because
14 it's part of the study that's coming up that I'll tell you
15 about in just a minute. Best habitat for Sauger in the river
16 is the lower end of the Kentucky River. You've got the Ohio
17 River influence. First couple of pools we have Sauger that
18 move up from the Ohio River and that's about it. I mean,
19 they are found throughout the main stem but just not in very
20 good numbers.

21 Walleye are there as a result of our
22 stocking some reservoirs in Eastern Kentucky, particularly
23 Carr Creek Reservoir, and some limited stocking in the

1 Kentucky River headwaters to try to get this fish
2 established.

3 Commercial fishes. The point of this
4 slide really -- and I'll hit the high points here -- is
5 really to show you that commercial fishing on the Kentucky
6 River is pretty minimal. Very low. We don't have a lot of
7 commercial fishermen out there, not making a lot of profit on
8 hook-netting Buffalo, Carp, Ruffus, Drum, things like this.

9 Like in '04, we had like ten commercial
10 fishermen. Two thousand and three there was like four. And
11 then the numbers in parenthesis are the numbers of commercial
12 fishermen.

13 Species there, Channel Catfish, Blue
14 Cat, Flathead Cat, Buffalo, Carp, various Sucker species and
15 Carp, Carp Suckers, Paddlefish, Paddlefish eggs and drum or
16 White Perch as some people call it. But that's just to give
17 you some ideas of the figures there. It's pretty
18 insignificant as far as the statewide total goes. For
19 instance, this percentage number means one-tenth of 1% of the
20 total commercial fish produced or captured in the state came
21 from the Kentucky River. Pretty low.

22 I want to give you a little idea of
23 some habitat here. I'm sure you've been out there. You've

1 seen it, where we find fish when we're sampling the river,
2 where we're shocking the river.

3 This is about the best slide we could
4 come up with at the spur of the moment for rocky shoreline
5 where you get out croppings of rocks whether or not it's a
6 slide or anything at all to break the current to create
7 refuge behind the current is where the large mouth are going
8 to be.

9 Major tributary mouths where you have a
10 creek coming in, a creek mouth, you have a standing water
11 effect. It breaks the current. Fish will be there --
12 Muskee, Black Bass, things like this.

13 Here's the rocky shoals and bars. Same
14 thing. Breaking the current, blocking it. Fish will be
15 around that.

16 Woody debris, say like some slide, some
17 trees standing there. They may not be standing very long but
18 you do get slide. Any debris at all, blocks the current,
19 there will be some fish behind it.

20 The best habitat on the main stem
21 Kentucky River, right in there, right below the dams. With
22 the splash, with the spill-over, you have a clean, rocky
23 substrate. No silt deposition. Things are cleaned out.

1 High in oxygen content. It's aerated. Fish congregate
2 there. Fish species, the food fish as well as the predators.

3 Bass, even though they don't like
4 current, they'll get in behind the lockwalls. They'll get in
5 behind any structure they can, and they'll be a lot of shad
6 in these areas and they're feeding on shad, small shiners,
7 small bait fish. Cat fish will be in there. Muskee can be
8 there.

9 Jeff was out there today. We were
10 collecting fish for a mussel project, for hosts to congregate
11 mussels out of the forks of the Elkhorn. This is Lock and
12 Dam No. 4. I'm sure you'll recognize. I guess it was right
13 here. A very large Muskee came up right there at the outfall
14 of Buffalo Trace's outfall. Big Muskee there hanging out,
15 feeding on Suckers and Shad. It's that time of year.
16 They're an early spawner. The big Muskee are out there.

17 But this is the best place to fish. If
18 you were going to fish or when we're shocking, when we shock
19 on down here and say all the way down to Monterey, it's
20 pretty boring. There's not much. You shock and you don't
21 see much. An occasional rough fish, occasional Bluegill.
22 It's pretty tough. And we've tried day and night sampling.
23 Not real good fish population.

1 I'll tell you a little bit about of
2 fisheries research project. It just so happens we're going
3 to start this this year. It's a five-year project to stock
4 these three species in the river and we're going to try to
5 establish fisheries there because there's not much there for
6 people to go after.

7 If the Kentucky River was like Elkhorn
8 Creek, I'm sure there would be people here talking about the
9 small mouth fishery. We just notice that nobody today had
10 mentioned -- in the brief time we were here anyway -- had
11 mentioned the fishery there or the fishing or the draw, and
12 the reason why is just the habitat is poor. It's not a river
13 and it's not a lake. Too much flow to be a lake, not enough
14 flow to be a river. And all these species are adapted for
15 one or the other. It could be one or the other. They prefer
16 it for both there's spawning habitat, the feeding habitat,
17 organisms; and when it's not there, the fish aren't going to
18 be there.

19 We'll get comments or complaints
20 depending on the weather patterns. The Kentucky River is
21 best when we have a drought; and when we have one or two
22 years or three years of drought in a row, everything is
23 dandy. Everything is good. People are catching Bass,

1 Croppie and Bluegill maybe because the numbers build up,
2 maybe from immigration, reproduction or whatever.

3 But as soon as it starts raining again
4 and we get more flow, they're gone and then we get, well,
5 what's Eastern Kentucky doing. Somebody is polluting the
6 fish or killing the fish. What happened to the fishery and
7 the fishing in the Kentucky River. And, inevitably, it's
8 flowing again. They're gone and it takes time to build
9 things up.

10 Last year with the drought, the numbers
11 have come back up. If we have another drought this year, it
12 will get better for the standing water species. The river
13 run species not so good.

14 But these are kind of a mixture of some
15 species here. These two are natives. This is the Sauger.
16 If you can make that picture out there. It's a cousin to the
17 Walleye, a native fish we have here.

18 This is a White Bass. They're somewhat
19 migratory. They'll move. They like flowing water. Sauger
20 fishing coming on right now. It's been good all winter in
21 the Ohio River.

22 White Bass will run March and April
23 into early May and run, meaning they make a spawning run.

1 They congregate. People catch them. They have a good time
2 with them. They like them.

3 Hybrid Striped Bass is kind of a super
4 White Bass. It's a cross between a Striped Bass and our
5 native White Bass. Manmade fish we put out there. It's
6 aggressive and it gets big and, so, people like to catch big
7 fish. So, we produce these in our hatchery. We can stock
8 them different areas. So, we're going to try them in the
9 river.

10 This is just where we're going to put
11 these fish, the stocking rate, the total number stocked. You
12 can see Pools 4 thru 9 for the Hybrids, the White Bass and
13 Sauger 4 thru 14. Probably headwater areas would be best.
14 And these fish will move around depending on flow. We'll get
15 some movement.

16 Five per acre. I mean, that's about a
17 standard rate. If we were to do a reservoir or the lake,
18 that's about our stocking rate, a basic recommended stocking
19 rate for those fish. Could be a little higher depending on
20 fishing rate.

21 Here's our limitations. On the
22 Kentucky River, of course, access is a problem. We've always
23 kept our eye out for improving access to the Kentucky River.

1 But with the palisades, it's hard to find, hard to get. So,
2 we do have some pools, more than others, access can be a
3 problem. Like Pool 13, there's no boat ramps.

4 Tail water access. You have the danger
5 factor but that's where the fish are. And there's very few
6 ramps or you have to boat up to these areas. But that's
7 where the fishing is on the Kentucky River main stem. It's
8 going to be below these dams.

9 And the limited habitat. Some much
10 main stem river, so little habitat. It's only at the creek
11 mouths, like I said, and the tail water areas. I wouldn't
12 waste my time on the main stem. If you're going after
13 numbers and you want something to eat go to where the fish
14 are.

15 Fish passage. We're not locking now.
16 Limited passage. Limited movement. Restricted to flooding.

17 We thought we would throw this out
18 also. The non-native species introduction. When we had the
19 Wild Turkey kill, we found out we had Big Head Carp in the
20 river, and, I mean, big head is an understatement. These
21 fish get large. It's an exotic from Asia. Arkansas felt the
22 need in their commercial fish propagators to bring these fish
23 over and they're illegal in Kentucky, but they're out and

1 they're in the system and here they are. They're in the
2 Kentucky River.

3 It looks like a small person. I mean,
4 they're that big. They're an algae eater. They're a filter
5 feeder. You probably wouldn't catch one unless it's an
6 accident on hook and line, but a large fish. In the fish
7 kill, we saw these big things four feet long floating in the
8 river. Big Head Carp were here.

9 The next one is the Silver Carp. It's
10 on its way. Same thing. Arkansas introduction. Watch where
11 you go. In West Kentucky if you're waterskiing, you could be
12 a target. When you see the pictures of the fish that jump,
13 that's a Silver Carp.

14 They are in the Salt River and that's
15 Louisville. I'm sure that they're coming up the Ohio. They
16 will be in the Kentucky, and they're pretty--I mean they
17 jump. They can hit you. It's happened. It's pretty wild.
18 But it's an exotic brought in from fish farming and escaped.
19 So, we'll be contending with that.

20 Also Zebra Mussels. I'm not sure how
21 far up the river the Zebras have moved. They're definitely
22 here. They've been in Frankfort for a number of years. The
23 last I heard -- and maybe someone knows more than I do on

1 this -- I want to say about Pool 8, Pool 9, something like
2 that, So, I'm sure you know the problem with those.

3 Not only with intakes of pipes but also
4 our native mussel farm and crayfish. They'll colonize
5 anything and everything with a hard surface and they'll
6 smother and kill what native mussels we have out there. So,
7 that is definitely a concern and a problem.

8 I guess the point I want to say is a
9 lot of people think when they see water and they drive across
10 the bridge and they see the Kentucky River and they think,
11 wow, water and fishing. That's not the case. And we really
12 have no idea what the fishery of the Kentucky River was like
13 on the main stem. The dams have been in there for so long.
14 The fishery has been impacted so long. They were built
15 before anybody cataloged what was even in the Kentucky River
16 historically.

17 But it's our job to try to put some
18 fish there, work with what we have. That's why the program
19 we've got--and really nothing was ever done with the Kentucky
20 River as far as a stocking program or an establishment of a
21 fishery beyond incidental stocking. Because the river is
22 close to a hatchery, the Frankfort fish hatchery, sometime
23 when there was excess fish, it's close. Put them in the

1 river. And, so, we got some bass that way and maybe even
2 some catfish. Questions?

3 MR. REESE: I'm from Lee County, Lock
4 14. What is being done towards stopping those three
5 tributaries, Middle Fork, North Fork and South Fork?

6 MR. PRATHER: Those forks got the
7 Walleye and Sauger before main stem--it was done. Where it
8 drops out -- and I've shocked the North Fork and the Middle
9 Fork -- where it slows down and drops out, it's poor habitat
10 as far as game fish. There's Muskee there. Just not great
11 habitat. It has the same problem. But we have stocked
12 Sauger. Sauger has been stocked there for a number of years.

13 MR. REESE: How long has it been since
14 you shocked those three?

15 MR. PRATHER: The Upper, Middle and
16 North Fork?

17 MR. REESE: (Nods affirmatively).

18 MR. PRATHER: I don't have those. Now,
19 I'm not sure when they did them. I did it back in the mid
20 eighties.

21 MR. REESE: I talked to the
22 Commissioner and he said they would try to add fish here in
23 intervals. We have the running water. We have the rocks.

1 We have the woods. The river has been cleaned up. It is
2 being cleaned up. It's hard for me to understand. Of
3 course, I've fished all over the country. I can throw a rock
4 in the river. I live about the Middle Fork and North Fork
5 and I have to go to, say, Cumberland River or someplace else,
6 Alabama or Tennessee, and I can't understand.

7 MR. PRATHER: Look at the silt. Look
8 at the river where you live and then look at the Cumberland
9 River. Cumberland is clean, rocky, flowing. And where you
10 are it's standing, mud, silt possibly.

11 MR. REESE: But the South Fork---

12 MR. PRATHER: Yes.

13 MR. REESE: ---there's no---

14 MR. PRATHER: Right. It's different.

15 MR. REESE: Yes.

16 MR. PRATHER: And it has the small
17 mouth fishery. There's Muskee there. Whether or not there's
18 a less amount of historic mining in the area but it has
19 always been better. The South Fork has always been better,
20 clean, flowing, rocky habitat, and its tributaries.

21 MR. REESE: The Middle Fork comes out
22 of---

23 MR. PRATHER: Buckhorn. Yes.

1 MR. REESE: ---the Buckhorn Dam and
2 it's a good muskee fish in there. I catch myself in the
3 Middle Fork and just feel--if you've got a depth finder, a
4 fish finder on your boat and you go up the river and you very
5 seldom see a fish.

6 MR. PRATHER: It's not small mouth
7 habitat and it's not large mouth habitat, though. It's not
8 clean and rocky all the way. I mean it's just not good
9 habitat.

10 MR. REESE: I catch quite a few small
11 mouth last year there at the forks but it's nothing like
12 anybody that goes up---

13 MR. PRATHER: Yes, yes. Habitat is the
14 key. It's not so much pollution. We have our pollution
15 occurrences. Whether it's mining or whatever, Wild Turkey,
16 it happens and it recovers.

17 Probably our biggest pollutant is silt.
18 A lot of people aren't aware of this, but mud and silt is
19 the biggest problem in all of our streams in this state. And
20 when you have that deposition carpeting the bottom, covering
21 up the habitat, the critters can't live. The fish don't have
22 food. They're going to leave. They're not going to be
23 there. That's one of our biggest problems.

1 CHAIRMAN WARE: What I hear you saying,
2 Kerry, is that just based on the nature, at least on the main
3 stem, the nature of the system we've got there and have had
4 for for the last hundred some odd years---

5 MR. PRATHER: Yes.

6 CHAIRMAN WARE: ---there's significant
7 limitations as to what you could ever have from a fishery's
8 perspective.

9 MR. PRATHER: Exactly.

10 CHAIRMAN WARE: There's really nothing
11 you can do about it.

12 MR. PRATHER: Nothing we can do---

13 CHAIRMAN WARE: There's no modification
14 of species that would thrive in that environment.

15 MR. PRATHER: The best effort is what
16 you saw on the board there -- it's a Band-Aid -- is try to
17 put something there, let them grow, let them be caught as far
18 as---

19 CHAIRMAN WARE: Since we've
20 significantly curtailed locking operations, has that affected
21 the fishery much---

22 MR. PRATHER: We don't know.

23 CHAIRMAN WARE: ---with respect to

1 migration and---

2 MR. PRATHER: I'd say it has blocked
3 it. It would have to of blocked it. But as far as improving
4 or hurting, it probably doesn't matter.

5 CHAIRMAN WARE: Not measurable.

6 MR. PRATHER: Yes.

7 MR. CROSBY: Restocking seems to be the
8 key.

9 MR. PRATHER: If we can produce enough,
10 that's it, and then we have other demands. So, we have to
11 make space for these fish. I mean, they're making room for
12 these to produce these. We don't have an unlimited supply at
13 two hatcheries.

14 MR. REESE: Any future plans for
15 restocking above 14?

16 MR. PRATHER: Above 14, not that I know
17 of other than what you see right there. White Bass and
18 Sauger will move up if they can. I did a catfish study there
19 in the North Fork and Middle Fork when I was in the mountains
20 and it's limited to habitat. Clean, rocky bottom channel
21 cats will be there.

22 A lot of people think that catfish
23 fishing is good where it's muddy, slow standing water. Not

1 the case with Channel cats. They like clean, rocky habitat,
2 and we found that out up there in your backyard. We shocked
3 right there where you're talking about.

4 And North Fork where it's clean
5 flowing, clean bottom, the fish were there. And it was
6 funny. You could go above Jackson or below Jackson or below
7 Hazard where it's silty -- very few fish. Where it's clean
8 bottom, fish were there. Habitat-related.

9 And stocking, it's always been our--I
10 mean it's known. I mean, you can put them in there but
11 they're going to leave until they find their habitat. If the
12 habitat is not there, they're not going to stay if they can
13 move for the most part.

14 CHAIRMAN WARE: I noticed a big drop-
15 off in the Paddlefish. You had a chart that showed the text
16 of certain species of fish and there was a big drop in early
17 2000. Was that due to the--I know the bourbon---

18 MR. PRATHER: Right.

19 CHAIRMAN WARE: ---spill killed a
20 number of Paddlefish or was it just a shift in the commercial
21 taking?

22 MR. PRATHER: It's probably a shift in
23 the commercial taking. And what you saw there, a lot of

1 people don't realize what they're looking for primarily are
2 females with eggs. It takes them eight to ten years to
3 mature and that's what reported. Now, we know that there's
4 some not reported, but, right. So after the kill, we
5 restocked Paddlefish, but it's going to take them time for
6 the females to grow large enough to be taken. And that's
7 caviar by the way. It's the big market for caviar coming on.

8 CHAIRMAN WARE: Where did you all bring
9 that stock in?

10 MR. PRATHER: Terry Shoe helped us with
11 those. Some we had to go out of state like the Flathead
12 cats.

13 MR. CROSBY: I think they had a pond in
14 Western Kentucky in which they pooled. I think there was
15 81,000. I think they brought the majority of them--I think
16 it's close to 80,000 of that 81,000 were brought from that
17 pond and they were, I think, three to five pounds.

18 CHAIRMAN WARE: Okay.

19 MR. PRATHER: We don't propagate
20 everything. A lot of people think we spawn all kinds of
21 species but we don't, just limited game fish and what we can
22 and what's feasible to do.

23 MR. CROSBY: Some of those fish

1 species, like the Crappie, were purchased from other states.

2 MR. PRATHER: Out of state. Flathead
3 catfish.

4 CHAIRMAN WARE: But genetically they
5 were comparable to what we have around here.

6 MR. PRATHER: Yes, as far as we know.

7 MR. CHRISTOPHER: Just a side note. We
8 had a tournament up at Beattyville above Lock 14. Put in
9 there at City Ramp. I think there was 12, 14 boats. But 14
10 small mouth were weighed in. That's pretty significant.

11 MR. PRATHER: That's good. Yes.

12 MR. CHRISTOPHER: Yes. That's a huge
13 difference. That was several years ago.

14 MR. PRATHER: It would be interesting
15 to see where -- not to interrupt -- if they go up creek
16 mouths. Some of our main stem shocking might even be
17 misleading because a lot of these fish were collected up
18 creek mouths.

19 MR. CHRISTOPHER: That's correct.

20 MR. PRATHER: Back water areas. The
21 majority of them were not from the main stem habitat. They
22 were creek mouths and tail water. And the bass tournament
23 here in Frankfort, a lot of people will run all the way up to

1 below 5 to fish or in Benson Creek.

2 MR. REESE: What does one of these

3 finger ones cost, say two inch finger one, the---

4 MR. PRATHER: What do they cost to

5 raise?

6 MR. REESE: Yes, to purchase. Say you

7 purchased them out of state like---

8 MR. PRATHER: I'm not sure what they--I

9 don't know. I don't know what they charge our---

10 MR. REESE: In other words, if a local

11 government would be interestedm you couldn't---

12 MR. PRATHER: You would have to cost

13 share through us. Nobody can stock the waters of

14 Commonwealth but the Department by regulations.

15 MR. REESE: Is that possible, though?

16 I meanm could we---

17 MR. PRATHER: Cost share?

18 MR. REESE: Yes.

19 MR. PRATHER: We would have to see. To

20 be honest with you, if it would do some good, if it's

21 something feasible. I meanm if it's lacking--that's what

22 we're hoping to find out with this. If there's something

23 that will do well there that's lacking, we'll do it. We

1 would like to do it, but I'm not sure what it would be. If
2 the habitat is there, they'll reproduce. See what I mean?
3 They're going to be there.

4 MR. CROSBY: We are learning. We've
5 worked quite a bit on the Elkhorn with small mouth and
6 they've been doing some studies on what we have stocked some
7 small mouth, female and small mouth, and following them and
8 trying out some of this weather--this controlling of Lock 2.
9 You get these really rainy years and that reproduction is
10 gone for the year. So, I mean we're finding out that
11 stocking isn't necessarily always the answer or the answer.
12 I mean, there's a lot of other factors that are going on
13 within these systems. It's very complicated. In some years,
14 it works and some years it just does not.

15 MR. PRATHER: Now, what he's saying is
16 stocked fish don't always do as well as naturally-produced
17 fish of the same species. Stocked small mouth don't do as
18 well as those that are spawned there from hosts we've marked.
19 And we have checked them. We've watched. The Elkhorn has
20 been studied very closely and we found that out. You can't
21 beat Mother Nature with its cycles and production.

22 MR. REESE: I understand--of course,
23 I've fished all my life. I fished in the river. In fact,

1 when I was younger, say middle age, there was no such thing,
2 the Walleye or Sauger in the river up there. Now they are
3 hitting pretty regular.

4 MR. PRATHER: Sauger have been stocked
5 over the past 15, 20 years. It was one that was first looked
6 at particularly in the South Fork, even Muskee, because they
7 were native muskee streams. The South Fork is a native
8 muskee stream. And when I was up there, I recommended for
9 Middle Fork, Buckhorn Lake and North Fork; so, they have
10 Muskee, and we've done the Walleye and Sauger. But stocking
11 is not always the answer. You've got to have the habitat to
12 support it.

13 MR. MARTIN: Is your funding mostly
14 from fishing licenses?

15 MR. PRATHER: Right. Licenses with
16 federal match. It's a federal tax on sporting goods,
17 gasoline, marine fuel.

18 MR. MARTIN: You all haven't been cut
19 any?

20 MR. PRATHER: Cut limitations. I
21 couldn't begin to go into all that, but right. So far so
22 good.

23 MR. WELTY: If I read your chart right,

1 you didn't do any restocking in 1 thru 3 for a reason.

2 MR. PRATHER: Influence of the Ohio
3 River. Standing water. We thought it would be best to go
4 from there up. There's a fairly good number of sauger in the
5 lower end coming from the Ohio River. So, we wanted to
6 supplement up above, particularly since movements are limited
7 -- I mean that's a factor -- but to try to establish those
8 populations through the river.

9 MR. CROSBY: Plus, those fish will move
10 down a whole lot easier than they will move up. A lot of
11 these fish that are stocked up in those pools will move down
12 into 2 and 3.

13 MR. PRATHER: Yes. Lock and Dam No. 1
14 being under water often is not a barrier. So, we get them
15 up
16 to 2. And sampling has shown we get those fish in 3. Four up
17 is what we concentrate our efforts.

18 MR. REESE: You can stock them up home
19 where the Kentucky River starts and that way---

20 MR. PRATHER: They would filter down.

21 MR. CROSBY: You may get some up at 14.
22 It's a neat area.

23 MR. WELTY: You would catch them all,

1 Judge, before it got down there.

2 MR. REESE: I'll catch them up there.

3 MR. PRATHER: Yes. That's good. Any
4 other questions? I didn't mean to overspend my time.

5 MR. CHRISTOPHER: We appreciate the
6 efforts.

7 MR. PRATHER: Thank you.

8 CHAIRMAN WARE: Kerry, thanks a lot.
9 Jeff, thanks for the presentation.

10 MR. CHRISTOPHER: Yes.

11 MR. PRATHER: Good to be here.

12 MR. CROSBY: Yes. Thank you all.

13 CHAIRMAN WARE: I do have one question
14 for you all that affects a project that we've been very
15 interested in and that's efforts to possibly raise the crest
16 elevation, the permanent crest elevation at Dam 10.

17 One mitigating factor on that was
18 possible installation of a fish ladder. How important do you
19 think, particularly given what you presented today and the
20 cost of that particular element, how important do you think
21 that would be in conjunction with that project?

22 MR. PRATHER: Because I was the one
23 that threw in the fish ladder, by the way. That's funny you

1 say that or suggested that. It was just to not impede
2 movement in the river. That would definitely be more of a
3 barrier. White Bass and Sauger are migratory, the eel,
4 Paddlefish, Walleye, even bass to some extent, catfish. And
5 it just will allow movement from there up above and below.
6 It would be a good tourist attraction. We don't have one in
7 the state. I'm not doing it just for that reason but it's
8 mainly to allow movement.

9 CHAIRMAN WARE: So, you all could cost
10 share with us on that then.

11 MR. PRATHER: I can't say that. I just
12 turn on the shocking box. But also access. We'll stress
13 that again also. I mean, access points there are premium. I
14 don't know how the old Corps' properties, lock and dam
15 properties will move, sell. We're definitely open to that.
16 We're always looking for more access to the river, especially
17 those areas with limited access. So, we would love to work
18 with you on that if that ever were possible.

19 CHAIRMAN WARE: Okay. Thanks, guys.

20 MR. PRATHER: Thank you.

21 CHAIRMAN WARE: Okay. The next item on
22 the agenda will be engineer's report from David Hamilton.

23 MR. HAMILTON: Well, luckily I don't

1 have any new business to bring before the board other than
2 just to update you on the projects that we've got going on.

3 The first being at Locks 5, 6 and 7
4 cut-off walls. At this time, all three cut-off walls and
5 their corresponding water release valves have been
6 constructed. The contractor has still got some minor work
7 left to do such as putting up handrails, installing the
8 hardware that goes along with the water release valves so
9 expect that to probably be done within the next month. So, I
10 should be able to do a final report on that at our next Board
11 meeting.

12 The other major project that we've got
13 going on, of course, is the Dam 10 project. And, if you'll
14 recall, there was some interim work that the Corps wanted to
15 do there primarily consisting of placing concrete at the toe
16 of that dam.

17 Free Contracting was the contractor
18 there; and after about a month of fighting high water, they
19 decided to go ahead and pull out and wait until about June
20 when the water typically starts to not flood quite as easily
21 as it does during the winter and spring. So, that project
22 there has come to a standstill, but those are the two big
23 projects that we've got going on.

1 MR. GRIER: David, does that project
2 put a cut-off wall into the lock chamber?

3 MR. HAMILTON: It did originally. For
4 financial reasons, funding reasons, that part of it was left
5 out. It actually involved the construction of a cut-off wall
6 similar to what we've got. About a two and a half, three
7 foot thick concrete wall built into the lock chamber as well
8 as rockfill inside the lock chamber to help stabilize the
9 lockwalls, but all of that was cut out. It was primarily
10 addressing the downstream tow of the main dam.

11 MR. GRIER: So, what's holding the dam?
12 Is just a single gate, the upstream gate, is that all that's
13 down there?

14 MR. HAMILTON: Right. Yes, the upper
15 end of those are closed.

16 MR. GRIER: Yes. Oh, yes.

17 MR. HAMILTON: Yes.

18 CHAIRMAN WARE: Have they poured the
19 cut-off wall at 5 now?

20 MR. HAMILTON: Yes, that's been poured.

21 CHAIRMAN WARE: They're pretty much
22 through at that location?

23 MR. HAMILTON: Yes. They've still got

1 some site clean-up. Like I said, they've got some minor
2 detail work like putting up handrails, the hardware for the
3 release valves, stuff of that nature. But as far as
4 substantial completion, it's been done.

5 CHAIRMAN WARE: Any other questions for
6 David? Thanks, David. Steve, you got a Director's report?

7 MR. REEDER: Just very briefly. The
8 next meeting, if we stay with this format of having a meeting
9 the third Wednesday of the month, if we stay with that format
10 -- and there's been some interest in selecting one day and
11 staying with it -- the next meeting would be a month from
12 day, the 15th of March.

13 And we probably should have a meeting.
14 We don't always have one every month. We average about
15 eight a year. Well, we probably should have one in light of
16 these legislative matters that are going on, the budget
17 matters. So that would be three weeks, the third week in
18 March.

19 As we've spoken through this meeting,
20 we need to have the Parks and Recreation Committee convene to
21 take up the Estill County matter, and we need probably the
22 Water Quality Subcommittee to discuss the watershed grants
23 under the watershed management contract that are being

1 developed by UK.

2 Along that same line, the Water Quality
3 Subcommittee should look at the progress of the Source Water
4 Protection Contract to see if we want to continue with that
5 as a component of our Watershed Management Program.

6 CHAIRMAN WARE: Are we set on those
7 subcommittees now. Susan, are you on board as chairman of
8 the Water Quality Committee?

9 MS. KAYLA ELLISTON: Water Quality.

10 MS. SUE ANN ELLISTON: She is the chair
11 of Water Quality.

12 MR. REEDER: You're the Chair.

13 MS. BUSH: I am?

14 MR. REEDER: Yes.

15 MS. BUSH: I knew I was on the
16 committee. I didn't know the Chair part.

17 CHAIRMAN WARE: The only reason I was
18 asking, I know you've got a little on your plate right now.

19 MS. BUSH: Just a tad. Just a tad.

20 MR. REEDER: And we will need a meeting
21 of the Finance Committee probably to deal with the budget
22 maybe as we go along and the Finance Committee I think will
23 be the proper venue to look at that property one day in

1 Bellepoint that we're talking about buying just to view it if
2 nothing else. Just look at it. Those subcommittees, maybe
3 others, we may have to deal with in the next month or so
4 prior to the next meeting.

5 MS. SUE ANN ELLISTON: Actually, we
6 need Water Quality Subcommittee needs to meet before the
7 Board the week of March the 14th.

8 MR. REEDER: Why is that?

9 MS. SUE ANN ELLISTON: It's because
10 their deadline for the applications is February 28th and UK
11 is wanting them to do the agreements and have them all---

12 MR. REEDER: Okay. UK's deadline
13 for---

14 MS. SUE ANN ELLISTON: Yes, and have
15 everything done by April and awarded by you all.

16 MR. REEDER: Yes. Yes, I knew she
17 wanted one---

18 MS. SUE ANN ELLISTON: Yes.

19 MR. REEDER: ---for that. Okay.

20 CHAIRMAN WARE: Well, Susan is busy.
21 Since I don't have a chairman of that subcommittee, I'll work
22 with her on that.

23 MR. REEDER: One other piece of

1 business, since we met last, I had a meeting with Congressman
2 Chandler about our Dam 10 project. Dam 10, as you know, was
3 Congressman Fletcher's project. It's a congressional ADD.
4 And with the Corps of Engineers being our contractor, it's
5 80% federal, 20% state, 20% water fee users.

6 And the first couple of years of this
7 current administration after Governor Fletcher vacated that
8 seat, we did not really have any need for anything. Upcoming
9 federal fiscal year we need money. We need money to carry on
10 the completion of that--well, the work we're doing now is
11 funded on the dam, the remedial work, but we need some money
12 -- \$1 million according to the Corps -- we need \$1 million
13 for the Corps to complete the Decision Document which will
14 tell us what kind of final improvement or what kind of final
15 decision that we'll be looking at there. We can't go to
16 design or do anything else until that comes, and, so, that's
17 the next step. That has to be funded.

18 So, I talked to Mr. Chandler about
19 that. We met for about an hour. I forget when it was. It
20 was something mid January. I think it was the 18th of
21 January. And he was receptive to it. He was not fully
22 versed on it. He didn't know a lot about it. He knew of it,
23 of course, by reading the papers but he didn't know a lot of

1 what his role was.

2 And it was an encouraging meeting. I
3 guess how encouraging, it will depend on how much success he
4 has with it or how he receives it. The proof will be in what
5 we get out of it. He asked the right questions at any rate
6 such as who in the Corps he needed to talk to to get the
7 proper numbers to ask for and some technical things that made
8 me feel a lot better when I left it.

9 So, we're pursuing that. We've got to
10 pursue that because that's the way that system works. It's a
11 \$24 million project. It will be a much more expensive
12 project but the government is committed to a program that
13 takes us up to \$24 million. Nineteen and a half of it is
14 federal and the rest of it is state.

15 The way it works is that it's never
16 fully funded -- none of those programs are -- until the
17 Congressman, which is the sponsor -- and he's the only fellow
18 that can be the sponsor because he now holds that
19 congressional seat -- he has to ask for it. He has to ask
20 the Corps for the amount of money they need and then he, in
21 turn, has to take that certified number from them and take
22 that to Congress and put that in an appropriation bill.

23 And, of course, even if he asks for it,

1 it's not guaranteed. It's no guarantee when any congressman
2 asks for those things. The authorization stays where it is
3 but there's not any guarantee that the Congress is ever going
4 to pass one of them. At any rate, I've done that and I'm
5 anxiously awaiting to see what kind of action might result
6 from that.

7 CHAIRMAN WARE: Any questions for
8 Steve?

9 And the Chair's Report. I don't have a
10 lot to say right now. I will express my appreciation for
11 each of your votes of confidence today.

12 I've been on the Board for going on
13 seven years now. When I first started, I was still a
14 bureaucrat with the Natural Resources and Environmental
15 Protection Agency. I spent 28 years in state government,
16 half of which was as the Assistant Director for the Division
17 of Water and we started the watershed protection program in
18 Kentucky going on a decade ago.

19 So, my agenda is basically what you all
20 have seen as you've attended the last few meetings and what
21 the River Authority has been about with respect to trying to
22 secure the source on the river for all the water supply
23 users, but I also am very close to water quality issues and

1 will reiterate my ongoing support for water quality research
2 and response to the river because there's no use having a
3 quantity of the resource if the quality is not good. That's
4 something that's near and dear to my heart.

5 But if any of you have any questions of
6 me, if there's something that's not--you all come on the
7 Authority I'm sure with issues and somewhat of an agenda.
8 So, if it's not being addressed, be sure to let me know. I'm
9 free. I'm retired. So, call me at home at anytime.

10 MS. BUSH: He's rubbing it in.

11 CHAIRMAN WARE: Huh?

12 MS. BUSH: Don't rub it in.

13 CHAIRMAN WARE: Area code 502/839-4696
14 or Sue Ann has got my wife's email address. So, you can get
15 in touch with me if you need to.

16 Is there any other business that the
17 Board would like to bring up at this point in time? Any
18 business from the audience that you would like to bring
19 before the Board? If not, I'll entertain a motion for
20 adjournment.

21 MR. WELTY: Move we adjourn.

22 CHAIRMAN WARE: I have a motion.

23 MS. BUSH: And I'll second it.

1 CHAIRMAN WARE: We'll see some of you
2 before March 15th in subcommittee meetings.

3 (MEETING ADJOURNED)
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STATE OF KENTUCKY
COUNTY OF FRANKLIN

I, Melinda L. Sparks, a notary public, in and for the state and county aforesaid, do hereby certify that the foregoing pages are a true, correct and complete transcript of the proceeding taken down by me in the above-styled matter taken at the time and place set out in the caption hereof; that said proceeding was taken down by me in shorthand and afterwards transcribed by me; and that the appearances were as set out in the caption hereof.

Given under my hand as notary public aforesaid, this the 8th day of March, 2006.

Notary Public
State of Kentucky at Large

My commission expires January 14, 2007.